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india's potential Why investors are persevering



Samuel Brittan Downsizing the US – Europe no model



FINANCIAL TIMES

Japan's coalition under pressure as SDP faces split

Japan's coalition government will be under pressure this week from the threatened break-up of the Social Democratic party, second-largest member of the three partner alliance and headed by prime minister Tomiichi Murayama. An attempt to set up a new centre-right group, led by members of the SDP's rightwing, weakens Mr Murayama's author-ity on the eve of his departure for a summit with President Bill Clinton. Page 12; Lex. Page 12

Beijing to expand forex trading: China amounced plans to broaden its fielding marketstyle financial system by expanding foreign exchange trading and allowing foreign joint venture banks into Beijing for the first time. Page 4

Ciller agrees reforms: Turkey's prime minister Tansu Ciller, responding to growing international criticism, promised to remove a constitutional clause used to control the media and political oppo-nents. Page 12; Kurdish hopes founder, Page 4

BA chief hints at Virgin settlement



British Airways chair-man Sir Colin Marshall (left) has hinted that an out-of-court settlement may still be possible with Richard Branson's Virgin Atlantic in the "dirty tricks" dispute over trans-Atlantic routes. His comments came as Virgin charged that BA was still engaging in "anticompetitive behaviour". A US court last week gave Virgin the go-shead to

hring a near \$1bn anti-trust case against BA. Page 12; BA warns on Heathrow plan, Page 5 Telecom bidders take back seat: Perceived

prejudice against French and German companies has forced Deutsche Telekom and France Telecom to take back seats in the competition for a stake in the Czech company SPT Telecom. Page 13

Ratings downgrade hits Mexican banks: The health of the Mexican banking system came under severe questioning after ratings agency Moody's Investors Service downgraded its ratings for some deposits of Mexican banks a full two grades: Page 3

Corruption probe ordered: The Spanish government has ordered an investigation into corgovernment has ordered an investigation into cor-ruption allegations in the Investigation into cor-ruption allegations in the Investor Ministry in response to a strong challenge in Asia following a decision by four of the world's largest entertain-ment groups to join forces with Rupert Murdoch's Asian satellite television venture, Star TV. Page 2

US budget battle forms: Republicans and nent policy issues – the balanced budget constitu-tional amendmentation a possible recommendation by President Bill Clinton this week to increase the federal minimum wage, Page 3

Trafalger offer expected: Trafalgar House will publish its formal offer document for Northern Electric this week - probably today - amid growing expectations that the UK government will refer the £1.2bn (\$1.8bn) bid to the Monopolies and Mergers Commission. Page 13

Italian crisis talks reopen: President Oscar Luigi Scalfaro will meet the outgoing prime minister Silvio Berlusconi in Rome today to reopen talks on solving the country's political crisis. Page 2

European Monetary System: An official interest rate rise in Spain last week failed to save the pesets, pushing it to new lows against the D-Mark, while the order of currencies on the EMS grid remained unchanged. The Portuguese escudo strengthened against the peseta after breaking the Esl.2 a peseta barrier on Friday and the D-Mark improved against the Spanish currency by more than a percentage point. Currencies, Page 23



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies can fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a narrow 2.25 per cent band.

Sri Lanka starts fragile peace: Sri Lanka began a "cessation of hostilities" with Tamil rebels in a major step towards ending an 11-year war that has cost more than 30,000 lives. Page 4

Tibetan hotel group plane issue: Tibet's strengthening tourism industry has led to the first announcement by a local company of plans for a public share issue. Page 15

Environmentalist found dead: Briton Andrew Lees, missing in dense tropical forest on Madagas-car for a week, was found dead. Mr Lees, 46, a campeign director of Friends of the Earth, was believed to have suffered a heart attack.

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EU states welcome Austria into the ERM

By Peter Norman, Economics Editor,

Austria joins the European exchange rate mechanism today following a weekend agreement to admit the Schilling at

recent market rates. The agreement, reached a week after Austria joined the EU, underlines its determination to be in the "hard core" of countries aiming to be members of the planned EU economic and monetary

A communiqué issued after a brief meeting on Saturday of the EU's secretive monetary committee said Austria

would continue its established policy of exchange rate stability. That means the schilling will continue to be pegged to the D-Mark within the broad 15 per cent fluctuation margins that have been allowed for ERM countries since a currency crisis nearly wrecked the system in August 1993.

The Schilling's central rate has been fixed at Sch7.0355 to the D-Mark and Sch13.7167 to the European currency unit (Ecu). Austria's decision to join the ERM was welcomed by other EU member states, the EU Commission and the European Monetary Institute. It had

been well flagged in advance and is not

expected to have any direct impact on foreign exchange markets.

The decision to subject the terms of Austria's ERM entry to scrutiny by the monetary committee is potentially sig-nificant for long-time EU members such as Italy, Greece and Britain, and to new members, Sweden and Finland, which

are not members of the ERM.

While Austria had an undisputed right to join the ERM, it is understood that the Bundesbank, Germany's central bank, insisted that the monetary committee must meet on behalf of EU finance ministers and central bank governors to discuss the entry terms. This

Kohl says war is 'complete madness' ■ Moscow feuding increases

was to keep alive the precedent of subjecting the proposed central rates of ERM applicants to review by other EU member states.

The Bundesbank has been determined to avoid repetition of the circumstances that preceded Britain's short-lived membership of the ERM when, in 1990, London unilaterally announced a central rate for sterling before its formal admission. Many Bundesbank officials and independent economists thought the sterling rate too high and a contributory factor to Britain's later forced exit from the system. Saturday's meeting rapidly established a consensus on Austrian

ERM entry at recent market rates, but did not discuss currencies other than the schilling. The Swedish krona and Finnish markka will continue to float.

The gathering was notable for the par ticipation of the Frankfurt-based EMI, set up a year ago as a precursor to the planned European central bank. One of its duties is to oversee the functioning of the European Monetary System

Some analysts suggested it should ponder the disclosure that Austria lanned to keep its currency pegged to the D-Mark, on the basis that this could point to the strengthening of a D-Mark block within the ERM.

Major sees chance to reunite Tories on Europe

By James Blitz in London

Mr John Major, the UK prime minister, yesterday raised the possibility of a reconciliation with Euro-rebels in the raling Conservative party by saying he would veto any federalist moves at next year's summit on the future of the European Union. With MPs due to return to

Westminster this week after the Christmas break, the prime minister adopted a conciliatory tone towards the nine MPs who lost the Tory whip in the House of mons last month, saying he would be looking for ways for them to return to the party.

In an enticement to the rebels

to support his legislative programme, he formulated a more Eurosceptic approach towards KU reform, emphasising that he would block any call for greater federalism at the inter-governmental conference in 1996. But, Mr Major emphasised that

the rebels - who lost the whip after voting against the EÜ finance bill last year – would only return to the fold after strating their loyalty.

"I believe the nine who are beyond the conservative whip at the moment will be looking for opportunities to come back and I would like to have them back." he said on BBC TV. "But they've got to come back when we are content and they are content that we're all marching in the same direction.

In his first interview of the new year, Mr Major gave his most detailed exposition to date of the conditions under which he would offer a referendum on the outcome of the IGC

Amid growing uncertainty among members about the EU's development, the prime minister said he did not expect any significant change to be decided at the

constitutional conference. He also stressed that any changes would require unanimous backing from all member

states, allowing the UK to block anything it did not want. But he added: "If, in some fashion I cannot fathom, something emerges from that conference that I wasn't able to block ... then I would certainly keep open the option of a refer-

endum in 1996. He also made clear that there was no question of Britain supporting a move towards a single currency in 1996 or 1997 if other countries took that route.

Conservative MPs said yesterday that the timing of Mr Major's olive branch to the rebels was crucial

It comes just before MPs vote on whether the government should retain a majority on Comnons' committees which scrutinise legislation. The vote arises because the rebels' loss of the whip technically puts the government in a Commons' minor-

Conservatives were confident vesterday that they would win the vote, amid signs that the Ulster Unionist parties will support the government.

Survey says City may benefit

Losses rise as Russian grip tightens on Grozny

By Chrystia Freeland in Moscow

The Russian government claimed last night that its forces had reached the centre of Grozny yesterday, but Russian media said troops were taking heavy losses as they fought through the streets of the Chechen capital.

The conflict, described by German chancellor Helmut Kohi as "complete madness", placed fresh strains on Russia's relations with the west and with the Islamic world,

Moscow cancelled a joint military exercise with Germany and withheld visas from German parliamentarians who wanted to discuss Chechnya with Russian col-

The independently owned NTV station reported yesterday that Russian troops were within 600m of the presidential palace in Grozny's central square, but Chechen forces were showing stiff resistance and retained control of the heavily shelled building. In Moscow, feuding between

politicians and the military grew more bitter - and international

criticism of Russian policy took on a more strident tone.

Mr Kohl said in a radio interview: "We see people suffering, civilians, women and children, we see victims among the soldiers and regard it all as complete madness." Only in the past week has the chancellor, who describes President Boris Yeltsin as a friend, spoken out against the Russian advance.

At the weekend, Russian troops appear to have abandoned their effort to take Grozny with tanks and air raids in favour of intense shelling and street-by-street advances

General Viktor Vorobyov, commander of the interior ministry troops involved in the campaign. was killed on Saturday when a mortar shell exploded next to him, Russian officials said.

The death of Gen Vorobyov, who had publicly opposed the killing of civilians and was highly respected within the armed forces, may add to the military's discontent at being involved in an unpopular war. In a further sign of a search for

Several hundred Communist sympathisers demonstrate in Moscow yesterday against the Yeltsin government's continuing military action in Chechnya. The headline on the poster of newspaper clippings held by one of the protesters reads 'Criminals, Traitors, Murderers of their own people'. People: Associated Press

sis, Mr Sergei Shakhrai, a deputy prime minister, launched another attack at the weekend on the mil-

Mr Shakhrai, who last week accused the armed forces of intentional "sabotage", lashed out at senior officers who he said had given large amounts of weapons to the Chechens when they first broke away from Russia

three years ago. Mr Shakhrai singled out General Pavel Grachev, defence minister, who has been fiercely criticised for the failure of Russian troops to capture Grozny swiftly, and General Boris Gromov, deputy defence minister, who has been a leading opponent of the war from the out-

Senior military officials said privately that even if they capbe bogged down in a guerrilla war for months or years.

The 51 Moslem states that make up the Organisation of the Islamic Conference (OIC) called on Moscow to stop violating international law by using indiscriminate force against Chech-

Red tape rules Russia, Page 2

France challenges Brussels over TV cultural controls

By Emma Tucker in Brussels and Andrew Jack in Paris

The fate of late-night philosophy on French television and Hollywood's hold on European screens France launches a concerted attempt to toughen cultural controls before the outgoing European Commission takes its final curtain call.

Two senior French ministers are heading to Brussels today to argue for tighter rules to prevent broadcasters buying more and cheaper US-made programmes rather than supporting European versions which they hope to be

more high-brow.

Mr Jacques Toubon, minister for culture, and Mr Nicolas Sarkozy, minister for budget and communications, are planning to meet Mr Jacques Delors, the outgoing president, today. A meeting on Wednesday will consider tighter quotas on the broadcasting of non-European material in

member states. The debate revolves around proposed revisions to the 1989 Television Without Frontiers directive, which requires at least 51 per cent of material shown by European channels to be of Euro-

pean origin. The French want the 51 per from EMU, Page 5

cent to be binding on all members. They support revisions proposed by Mr João de Deus Pinheiro, the outgoing EU audiovisual commissioner, to remove a loophole stating that the quotas had to be met "wher-

ever practicable". The revisions were diluted after opposition from Mr Delors and others including the UK's Sir Leon Brittan and Mr Martin Bangemann, the German comappeared determined to stop what they saw as poorly con-ceived and inappropriate legislation that could damage Europe's audiovisual sector.

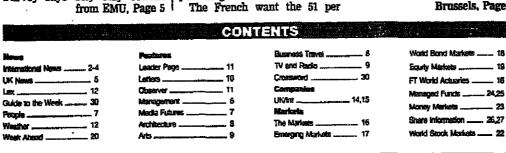
Mr Toubon argued over the weekend that the debate was as much an economic argument about saving the European broadcasting industry as a cul-

Changes to the directive unleashed strong lobbying from

The Commission's legal services unit must decide whether a vote held by the commission after the formal end of its latest session last Friday will still be binding - the terms of the 20 commissioners officially expired.

> Paris takes cultural battle to Brussels, Page 2

AN ANNOUNCEMENT -**EVERSHEDS** JAQUES & LEWIS On January 9th 1995, Jaques & Lewis join with Eversheds, the national law firm, Together they create one of Europe's largest law firms. With a total of 15 offices, and the addition of a substantial London practice, they are the first UK business. law firm to operate on a genuinely national basis. Jaques & Lewis will now practise as Eversheds Jaques & Lewis. For additional information. call Peter Scott on (44) 171 919 4500 Berlin • Birmingham • Bristol • Brussels • Cardiff • Derby pswich • Jersey • Leeds • Loudon • Manchester • Middlesbrough



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Stockholm budget to cut spending

By Hugh Carnegy in Stockholm

Sweden's Social Democratic government faces a vital test of its economic policies this week as it aims to offset the damaging effects of a downgrading of the country's sovereign debt rating with the administration's first budget since it came to power last Sep-

Long-term interest rates are expected to rise today when Swedish financial markets - which were closed on Friday have their first chance to respond to the decision on Thursday by Moody's, the US rating agency, to downgrade Sweden's debt rating to Aa3 from Aa2 because of a public-sector debt which is around 90 per cent of gross domestic product and still growing rapidly. Getting down interest rates is one of

Scalfaro to

hold new

talks on

By Andrew Hill in Milen

President Oscar Luigi Scalfaro

of Italy will today reopen talks

on solving the country's politi-

cal crisis when he meets the

the central objectives Mr Göran Persson, the finance minister, hopes to achieve when he announces his budget tomorrow. He has promised SKr20bn (£1.7bn) in spending cuts which, combined with emergency measures already taken to reduce a near SKr200bn budget deficit by SKr57bn over four years, are intended to stabi-lise the debt by 1998.

With yields on long-term government bonds last week standing at 10.8 per cent - well above benchmark German rates - Mr Persson is anxious to convince sceptical markets that Sweden's crisis in the public finances is under control and thus prompt a fall in interest rates which in turn would fuel the modest recovery now under way in the

The Finance Ministry sought to

action at the weekend, saying it was a signal to those within Social Democratic ranks who oppose spending cuts in the generous welfare system that there was no alternative.

Since the emergency package and Sweden's vote last November to join the European Union, long bond yields have fallen back from levels above 11 per

But the move by Moody's will at least make a further fall less likely and will reinforce those in the markets and within the right-wing parliamentary opposition who argue that even more fiscal savings will be required beyond those planned in the budget.

Uncomfortably for Mr Persson, Moody's had already taken into account the savings expected in the budget, but

extract a silver lining from Moody's still issued an ominous warning that Sweden risked carrying a big debt bur-den for so long that it would have difficulties managing the next recession.

"Even if the government can implenent significant budget tightening over the next few years. Sweden's public debt position could still be weak at the point where the next cyclical downturn

A further concern raised by Swedish commentators was that Moody's decision could be an incentive for the country's big international corporations, which borrow heavily on international markets, to move abroad. But Moody's said Sweden's sovereign rating remained above the maximum rating

for its private-sector corporations and they should not suffer higher borrowing

As Moscow goes to war with Chechnya, Chrystia Freeland wonders who is really in charge

Rome crisis chnya pursue their country's most serious military conflict since the Afghan war. for Moscow bureaucrats it has outgoing prime minister. Mr heen business as usual.

Silvio Beriusconi, in Rome. Negotiations were suspended last week when Mr Scalfaro fell ill, but over the weekend he invited Mr Berlusconi's aides to set up a meeting for today. Talks with the main political parties will resume tomorrow. and political commentators are speculating that a solution to the crisis could be found this Christmas.

The crisis was precipitated before Christmas when Mr Berhisconi resigned as prime minister after Mr Umberto Bossi, leader of the populist Northern League, withdrew his support for the right-wing coalition. Resolution of the crisis could be complicated by a forthcoming decision of Italy's constitu-

tional court. It is widely expected to make an early ruling this week on whether to allow a referendum on electoral reform, which would transform Italy's partly proportional voting system into a simpler first-past-the-

Constitutional experts believe it would be almost impossible to hold new elections in March – as demanded by Mr Berlusconi and his allies - if such a referendum was

Forza Italia, the movement formed by Mr Berlusconi a year ago, set up a committee to co-ordinate a forthcoming election campaign at the end of last week, in an indication of the prime minister's readiness to return to the polls.

But President Scalfaro is against new elections, and the hostility of opposition parties, including a majority of Northern League deputies, would make it difficult for him to meet Mr Berlusconi's alternative demand that he should continue as premier.

The opposition ex-communist Democratic Party of the Left (PDS) and the Popular party (former Christian Democrats) are also trying to find common ground for an electoral alliance, but they would prefer the formation of a new government under a different prime minister, possibly drawn from outside politics.

the snowy hills of Che-

Of course, in Russian translation, business as usual can have slightly odd implications. It has meant that Russian officialdom ground to a halt for two days last week to celebrate the new year and will take another two days off this week in honour of the orthodox On the days when govern-

ment offices have been open, they have functioned with the bizarre combination of anarchy and red tape which has characterised this country since the collapse of the Soviet Union. Visitors to the Ministry of Finance, for example, after picking their way through the sawdust and scaffolding which blocks one of the entrances, are met by a uniformed guard who sternly asks for their passes. But when those passes cannot be found the guard genially (and quite rightly) assumes some secretary has

allows the visitors in.
Inside the building, Mr Sergei Aleksashenko, deputy min-ister of finance, paints a contradictory portrait. He and civil servants like him, he says, fear a political shift to authoritarianism at the top -But, at the same time. more than ever the devil is in the detail, in the decisions of thousands of individual government officials. Who controls them and their decisions is less clear than ever.

forgotten to type them up, and

Official Russia's vacillation between authoritarianism and anarchy has been underscored by the Chechen crisis. When the army first moved in to subdue Chechnya on December 11 the Kremlin justified intervention as a necessary demonstration of the toughness of the Russian state and the willing-ness of its leaders to use muscle to ensure their nation's territorial integrity.

Instead, the crisis has exposed the weakness of President Boris Yeltsin's control over the military and deepened divisions within the army itself. Mr Yeltsin has publicly criticised the military for disobeving his order to halt bombing raids. Prominent generals

TAKING LICENSED BUSINESS MANAGEMENT

INTO THE 21st CENTURY

s Russian soldiers in have openly criticised the decision to intervene in Chechnya. Similar confusion has been apparent in other branches of government. On one hand, Mr Yeltsin's move on Friday to sack Mr Oleg Poptsov, the head

station, has been widely taken as evidence of the Kremlin's

slide towards dictatorship. But the manner of Mr Poptsov's dismissal bore more traces of cack-handedness than of an iron fist. The first official statement about Mr Poptsov, from Mr Victor Illiushin, a member of Mr Yeltin's new hardline kitchen cabinet, insisted that "rumours" of the television boss's sacking were false. Five minutes later, Itar-Tass, the Russian news agency, said Mr Poptsov would be fired after all. Mr Poptsov says he is "99 per cent certain" that he has been dismissed but cannot be completely sure.

ther state employees also find themselves at the mercy of a president who is at once increasingly heavy-handed and increasingly out of touch with the finer points of government.

A conservative adviser in the Kremlin's inner circle said approvingly over the weekend that security forces were stronger now than they had been since the collapse of the Soviet Union. That view was backed by a leading Russian business-Minister Victor Chernomyrdin believed his telephones and offices were under surveillance. The prime minister, he said, had returned to the Soviet practice of holding important conversations dur-

ing walks in parks. But reformers like Mr Aleksashenko say that, despite the increasing strength of the conservative security structures. on a practical level much of the routine work of economic transformation continues. Regardless of the appointment of a conservative minister of privatisation, Mr Aleksashenko points to the fact that within the ministry itself "the whole, reform-minded staff is still in

"I can imagine a situation in which the army continues to wage this small war and at the same time the government will continue to implement economic reforms."



A Chechen fighter sprints across a street in central Grozny yesterday, as fighting round the capital continued

Rühe pledge on military contacts

By Michael Lindemann in Bonn

Mr Volker Rühe, Germany's defence minister, has pledged to try his best to maintain ties with the Russian armed forces. despite rising east-west tension over Chechnya and Moscow's cancellation of German-Russian military manoeuvres.

"At this precise moment it would be wrong to scale down contacts," Mr Rühe told the news magazine Der Spiegel in an interview published yester-

Chancellor Helmut Kohl, normally a strong supporter of Russian President Boris Yeltsin, had on Saturday denounced the war in Chechnya as "complete madness". Yet Mr Rühe, who has often taken a sceptical attitude towards Russia, stressed the need to keep links with Moscow intact if possible.

The minister said an invitation to General Pavel Grachev, the Russian defence minister. to visit Germany soon was "still on the table". The German Defence Ministry said the

due to take place next month but were cancelled because the Russian units involved were being deployed elsewhere. The Defence Ministry conhad been called off, but said it had never been expected to take place before the summer. In another sign of tension between Bonn and Moscow, the Russian authorities refused to give visas to two German parliamentarians who were hoping to discuss Chechnya with counterparts and human rights groups in Moscow. Mr Rühe said Russia had vio-

Security and Co-operation in Europe. These included the OSCE's latest agreements, sealed at last month's Budapest summit The Russians had failed to give notice of troop movements involving more than 9.000 soldiers within the required 72 hours. "A country that wants

lated its obligations as a mem-

ber of the Organisation for

home must keep to the standards that have been set." Mr Rühe said. "In a situation like this I am not in favour of breaking all links with Russia. What I am in favour of is saying quite clearly and openly what inter-

to live in a common European

together with their Russian counterparts would have practised peacekeeping missions, according to the German

Andrew Jack and Emma Tucker on France's fight to protect its language from Hollywood influence

The battle lines are drawn, the characters words.

Colourful, the plot Speaking to Le Figaro newsstrong. The only question is whether the debate over EU broadcasting quotas would be better televised as a Hollywood-style blockbuster or a late-night philosophical discussion from a smoke-filled Paris

This week the tension between cultural preservation and free markets reaches a peak in Brussels as ministers, officials and lobbyists fight over the prospect of tightened limits on the amount of European-produced material that broadcasters within the European Union must use.

At issue is the Television without Frontiers directive, with proposals to close the loopholes which would ensure that at least 51 per cent of the material shown on European channels is produced within the continent

It is the French who are most in favour of tightening the loopholes. Ironically, it is one of their own countrymen, the head of the Commission's legal services unit, who must decide in the next few days whether European law will permit any formal decisions, including a resolution to the TV debate, to be made after the formal end of Jacques Delors' Commission presidency last

No European country is more sensitive to the issue of conflict between culture and free markets, and nothing excites the Gallic temperament more than when the debate centred on its most sacred product language.

It is no surprise that Mr Jacques Toubon, French minister of culture, has been at the forefront of the battle. Dubbed "Jack Aligood" - a literal English translation of his name - by his critics, he masterminded the introduction of use of the French language

Paris takes cultural

battle to Brussels

paper on Saturday, Mr Toubon said: "We are not calling for the creation of a bureaucratic are asking for those things that would allow us to compete with the Americans, who have a formidable bureaucracy and are very protectionist about the cinema and audio-visual

France has long taken explicit steps to support its cul-tural industry. "A free market still needs a minimum of rules," says a Ministry of Cul-ture spokeswoman. "We want to preserve diversity of cul-

Mr Antoine Veronique, secre-tary general of the French federation of film distributors, says: "Without quotas European production will no longer exist. This is a fragile industry. It is not simply a question of several hundred film producers' jobs, or those of artists and technicians. It's about cultural

The country has long used quotas to help provide support. "Our system is very complicated, and the most regulated in Europe," says one senior television executive who prefers not to be named. "It's a little too much. It is unfair when we complete with broad-casters in other European

rench television channels are forbidden to show films on Wednesday evenings, to encourage people to go to the cinema on the day new films are traditionally released. Nor can they show films on Friday and Saturday nights at peak periods. which would also otherwise threaten to damage cinema audiences at their best times.

Each channel is also permitted to only show a certain number of films each week, totalling just over 100 each

year. Sixty per cent of these films shown have to be European-produced, and 50 per cent S par k ho

Fer bu

The television channels are obliged to invest some 15 per cent of their turnover in French-speaking fiction, documentaries and animation, and 3 per cent in film co-produc-tions. Canal Plus, the pay TV service, is obliged to invest 20 per cent of its turnover in purchasing rights to films, of which nearly half must be French-speaking. From next year it will also be required to start investing directly in French TV and documentary production.

In addition, the government collects a special tax of 5.5 per cent of turnover from all the broadcasters, which is then redistributed to television production companies when their work is transmitted.

French broadcasters have tried to keep a low profile during the Brussels debates. They acknowledge that there is a clear demand from European audiences for some European productions. On the other hand, the costs can be

extremely high. "If there were no obligations to support French industry, I'm not sure we would have spent so much on its films," says one broadcaster. "When you buy a US TV movie it costs about FFr300,000 [£35,000]. The rights for a French production are about FFr3m. It's the price you pay for fresh local production. Without quotas we would certainly buy some local films but not at the same levels."

Despite all the regulation, neither quality nor quantity is guaranteed

French-produced television remains at least as variable in quality as that in other countries across the EU. With its staple of quiz programmes and soap operas, French television is beginning to resemble its

MTV faces challenge for Asian music market

By Alice Rawsthom

MTV is not the sort of company that shies away from a fight. Its international network of satellite music channels is by far the most power-ful medium in the music business, but its relationship with the music establishment has never been less than

The battle between MTV and the music industry ranges from everyday rows over remuneration to official complaints to the US Justice Department and European Commission. Last week it took a new turn when four of the world's largest entertainment groups ioined forces with Star TV. Mr Rupert Murdoch's Asian satellite television venture, to take on MTV in Asia.

The new liaison between Star and the four groups -Time Warner, Sony, Thorn-EMI and Bertelsmann, all of whom now have equity stakes in Channel [V], the Star music service - represents the tough-est challenge so far to MTV's position as the world's most influential music marketing

medium. The combination of the Murdoch media empire and the four groups control over 50 per cent of the \$30bn (£19.2bn) worldwide music market.

Mr Bill Roedy, president of

MTV Networks International, claims to be unconcerned. "We have competitors all over the world," he said. "There's no reason why this situation should be different." MTV, a subsidiary of Via-

com, the US entertainment group, has access to 250m homes in 63 countries. This means it has considerable clout in the music industry.

But MTV needs the enter- transmitted MTV Asia, fell out they need it: they supply the videos that are its main source of programming. The music groups occasionally extract concessions from MTV. But MTV usually holds the winning hand, as it can play off one company against the others, whereas they have no real alternative. MTV's rivals are specialist channels in the

CHANNEL US. playing particular types of music, and national stations Europe, such as France's MCM and Videomusic in Italy. These channels are not as well-funded as MTV and are less able to negotiate for exclusive

interviews, first-run videos and The industry has stepped up its efforts to erode MTV's power. Time Warner, Sony, Thorn-EMI and PolyGram last year announced plans to invest in new video music channels

in the US and Germany. MTV successfully blocked the US launch by initiating a cartel investigation by the Justice Department. Viva, the German chan-

nel, has come on air. Mr Roedy claims it has had "no effect" on MTV's audience or advertising, but MTV has made a formal complaint to the European Commission about

Viva's ownership. The picture now looks very different in Asia. Sony, Warner, Bertelsmann and Thorn are investing in Channel [V], the Star music service which was launched last April Channel [V] went on air the

next day as all the MTV Asia staff, including the presenters, were contracted to Star, rather than to MTV. It now transmits the other in English - to 220m Asian homes. Meanwhile MTV has been trying to relaunch its Asian.

service. MTV India has been on air for 21/2 hours a day since October. But the launch of MTV's two new pan-Asian 24hour channels, scheduled for December 31, has been delayed until "some time in early 1995", according to Mr Roedy. Meanwhile Mr Murdoch has

been strengthening Channel [V]'s position. He had hoped to persuade Sony, Time Warner, Bertelsmann and Thorn to give it exclusive rights to their videos in Asia

They refused, presumably because they were concerned about imperilling their relationship with MTV in other markets. But this week's deal means that they are likely to give first-run videos and artist interviews to Channel [V].

Unlike the US and Europe there is no pan-Asian regula-tory body for MTV to appeal to. When the new MTV Asia comes on air MTV will, for the first time, face a rival of equal calibre. It will even be competing against its own old present ers. Mr Roedy has hired back some of his old production team - but the video jockeys are staying at Channel [V].

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trip was scheduled to take national agreements Russia is Since the early 1980's, Mercury Leisure Our services include:place in March. disregarding and MDP have established an enviable The joint German-Russian Operation and management of licensed The newspaper Welt am reputation for delivering quality solutions Sonntag said the first Germanexercises, near St Petersburg. premises throughout England, Scotland Russian exercises had been would have involved around and achieving real results in the 100 German troops who challenging and highly-specialised field of Full accounting and financial services. the licensed leisure industry.

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Madrid orders corruption probe

By Tom Burns in Madrid

Spain's beleaguered government has responded to a string of highly sensitive political scandals by ordering its own investigations into corruption allegations in the Interior Ministry, in an attempt to regain the political initiative.

According to a report leaked yesterday to the influential and generally pro-government Madrid newspaper El País, three senior officers of the paramilitary Guardia Civil corps are due to be indicted on charges of embezzlement, following an internal inquiry into housing contracts for members of the corps.

The El País report apparently substantiates claims by officials that the government is seeking to clean its own stables

and thereby pre-empt opposition calls that Mr Felipe González, the prime minister, should call elections because it has been unable to prevent widespread corruption within the administration and especially

within the security services.

An opinion poli published yesterday by El Mundo, a Madrid daily that has led media investigations into government scandals, 64 per cent of Spaniards believe the government was directly involved in a shadowy death squad that in the mid-1980s murdered 23 presumed Basque separatists in southwest France. A majority of those polled said they wented Mr González to resign.

Fears that the corruption scandals would fuel political instability brought the peseta to a new low against the D-Mark at the end of last week and prompted further market losses, despite the Bank of Spain's move on Thursday to raise its key money rate.

The interior ministry's investigations are linked to a Guardia Civil corruption network that was allegedly put in place by the former head of the corps, Mr Luis Roldán, who fled Spain last May.

The government is threatened by two potentially explosive judicial investigations. One Madrid judge investigating the 1980s death squad has already remanded in custody three former senior security chiefs on charges of attempted murder, and another is examining evidence of alleged wide criminal misuse of secret funds by top interior ministry officials. See Editorial Comment

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State Section

Mishigar Tall IRVe

The second of th offigure of the factor of the Battle lines between the mem e a Republican majority in the US Congress and the Democratic party were drawn more sharply over the weekend on two imminent policy issues the balanced budget constitutional amendment and a possible recommendation by President Bill Clinton this week to increase the federal minimum

Congressman Dick Armey from Texas, new majority leader in the House, yesterday rebuffed Democratic thautage to state in advance how the federal budget could be balposed in the amendment, before Congress begins considering it next week.

in a television interview he said "knees win putting spending Congress if itemised spending congress if itemised beforecuts had to be outlined beforehand. On Friday, in comments instantly criticised by administration and congressional Democrats, he had said: "I am profoundly convinced that putting can authorize the details out would make nomic ones, have advised that foundly convinced that putting the details our mount imposin sible"

On the same programme, Senator Tom Daschle of South you lead to Dakota, the minority leader shall it and previously a supporter of right and previously a support the balanced budget amendment, committed his party to laying out a detailed plan. He accused Republicans of trying to foist "a pig in a poke" on the

> Vice-President Al Gore, in another TV interview, observed that the president could not veto the amendment if it passed Congress and was referred for ratification by three-quarters of the states. But he added: "Let's amend the amendment to spell out what it means" at least in generalised terms, if not in all the fine

Senator Trent Lott of Mississippi, the majority whip, took a softer line than the comhative Mr Armey, thus underlining the differences of Republican

By Jurek Mertin in Washington approach between the more ideological House and members in the Senate.

He thought the budget could be balanced over seven years by "controlling the rate of growth" in federal spending and by incorporating a variety of savings already advocated by governors of the states. He also noted in conciliatory

vein that the two principal Republican budget chairmen -Senator Pete Domenici and Congressman John Kasich would shortly be proposing spending reductions to finance proposed Republican tax cuts, another challenge thrown down by Mr Clinton that all tax cuts should be "paid for" so as not to increase the deficit. Mr Lott was also far from sure that Mr Clinton would in the end propose this week a 50 cent increase in the minimum wage, currently \$4.25

Mr Robert Reich, the labour secretary, has openly recommended a 50 cent rise and some of the president's politia gesture to poorer working class Americans, traditionally a Democratic stronghold, is in

But Mr Armey dismissed a minimum wage increase as "unacceptable public policy" which would cost jobs and it is probably the case that Republicans would throw any proposal out should the president make

However, Congressman Richard Gephardt, the minority leader, took Mr Armey to task in what rapidly degenerated into a televised shouting match.

Mr Armey, notoriously short-tempered, cited a Texas university janitor who had lost his job because of the last increase in the minimum wage and Mr Gephardt shot back that he could name a thousand cases where lower paid Americans had held jobs and kept pace with inflation by having their base pay raised.

system came under severe questioning at the weekend as a leading international rating agency downgraded its ratings for some deposits of Mexican banks a full two grades.

Worries about the solvency of some banks were also blamed for turbulence in the currency markets and the weakening of the peso which occurred towards the end of trading on Friday.

Moody's Investors Service lowered its ratings for long-term foreign currency-denominated deposits of Mexi-

denominated bonds (bondes) from Baal to Baa3 and for peso short-term obligations (cetes and tesobonos) from

هكذامنه لنصل

Prime-2 to Prime-3. Moody's said that the 40 per cent devaluation of the Mexican peso over the past three weeks "will hurt the already problematic health of the Mexican banking system." The agency added that "not only will the devaluation accentuate pre-existing weaknesses - in particular, very poor asset quality and very poor reserve

can banks from Ba2 to B1. The agency also lowered its ratings for the Mexito withstand deregulation and

increasing competition." The agency said that many banks may have to resort to a special central hank capital fund in order to meet their foreign currency obligations.

Traders and local press reports on Saturday said it appeared some foreign banks, worried about liquidity problems, were beginning to call in lines of credit extended to domestic banks. As domestic banks went into an already thin market to buy the

recovering slightly.

Foreign bank concerns about their dollar credit and loans extended to Mexican banks appear to be accentuated by the fact that many of these loans are backed by tesohonos owned by Mexican banks. Tesobonos are short-term peso-denominated instruments with a built-in exchange rate coverage mechanism. Questions about how the Mexican government will pay back these securities, more than

829bn (£18.7bn) of which come due

Mr Jose Garcia Cantera, banking

analyst at New York brokerage house Salomon Brothers estimates between \$5bn and \$10bn in Tesobonos were used by Mexican banks as collateral to get dollar credit from foreign banks, "Mexican banks went into this crisis very weak," said Mr Garcia. "It's going to be very tough to get through it. The central bank is going to have to come up with rule changes and restructuring schemes for confidence to be restored.'

INTERNATIONAL PRESS REVIEW

Watching for the Tequila hangover

SOUTH AMERICA

Brazil has become accustomed to being treated as a wayward relation by the international financial community that the sight of a crisis in Mexico, the favourite son, was bound to trigger a mood of

The influential Brazilian weekly Veja, under the over-worked headline "Tequila hangover", decided the crisis showed "the real Mexico is a poor country which was behaving as if it were rich. The Mexican middle class' party is over. The party for the workers. which never began, has been delayed once more".

After initial gloating, when several papers highlighted optimistic forecasts from stockbrokers that foreign capital would turn away from Mexico and towards Brazil, a mood of introspection has taken hold. Could it be, the media is asking, that Brazil's apparently successful Real currency which has brought monthly inflation down, is headed for the same slippery slope as the

Rio de Janeiro's Jornal do Brasil had a gloomy piece sug-gesting Brazil was indeed in danger of copying Mexico's mistakes. Mexico, the paper argued, relied on a US dollar link and an overvalued currency for too long. The paper warned that the Real, also informally linked to the dollar and widely agreed to be overvalued, could lead to a large

trade deficit and an over-reli-

ance on foreign capital. Government denials failed to impress Mr Antônio Delfim Netto, the former planning minister writing in the Gazetta Mercantil financial daily. Like many in the business community, Mr Delfim Netto criticises the exchange rate for damag-

ing exports and development. We are without a fiscal anchor and without a monetary anchor. The only anchor on which the Real is hanging is this senseless exchange rate

Amid the gloom, the Estado do Sao Paulo did manage to find some good news: despite Mexico's problems, there was no danger of price rises for Brazil's annual imports of 240,000 bottles of tequila.

A headline in Clarin, the best-selling Argentine daily, asked: "How far can the Mexican wave go?" The Mexicans, it says, invented the wave which sweeps around sporting stadiums, and a similar effect has been seen in financial markets: "Mexico incites the interest and fear of global investors, for which all of Latin America pays the consequences." For this not to occur, says

business daily Ambito Financiero. Argentina must mount "Operation Differentiation", pointing out to international investors - who tend to think of Latin America as a homogeneous bloc - structural differences between Mexico and

Mr Domingo Cavallo, econ-



Brazil's President Cardoso tries to keep the economy affoat, as seen by a cartoonist

for Gazetta Mercantil

omy minister, has been doing just that, and will be in New York tomorrow to talk directly to bankers and investors. His pitch, says Ambito, should not centre on academic talks about economic models, but should stick to the concrete affirmation of Argentina's solvency and its ability to meet upcoming debt payments.

Carlier, rival business daily El Cronista reacted with disap-

pointment to the economic rescue package announced by Mexico's president, Mr Ernesto Zedillo. "Mexico goes to the Devil and in falling drags down all regional markets."

Another Cronista article looked with nervousness at difficulties within Argentina's banking system: "The Mexican crisis, problems of Banco Extrader (suspended from trading] and rumours on delays in debt payment are posing questions about the solvency of the Argentine financial system."

Pagina|12. a left-wing daily. said Argentina had followed closely on the heels of Mexico since the 1982 debt crisis. Referring to an article called Waltzing on the Titanic, it said that to pretend Argentina was different from Mexico was "like looking the other way while a neighbouring ship sinks in the engulfing storm."

For readers of Chile's quality daily, El Mercurio, the undisputed opinion maker among the elite. the Mexican crisis was mostly about the unresolved social and political problems represented by the rebel army of the Frente Zapatista in the southern state of Chiapas.

"El Peso Zapatista", which translates as "the Zapatista currency", was the headline on its first leader on the subject. Two-thirds of the space was given to discussing the Chiapas uprising, the rest to a brief description of the economic crisis, ending with a rap on the knuckles for the Mexican government for its "vacillations".

There is more malice in Mercurio's position than concern for Mexico's poor. A fervent supporter of the military dictatorship of General Augusto Pinochet, the paper's owner and editors had to stomach Mexican criticism of the Chilean regime's human rights violations and other undemocratic practices for 17 years. This was

a chance to get its own back. It said financing a balance of payments deficit with short-term borrowing is risky. and warned against excessive government spending.

As for the knock-on effects from Mexico, the paper concluded that the crisis would inevitably affect investment flows to the rest of the region but "fortunately, the Chilean economy is very strong and even the worst scenario should not affect it significantly". Chileans have been worrying

more about consequences of the Mexican crisis on Argentina. Fears of a drastic devaluation of the Argentine peso hit the share prices of Chilean electrical companies, heavily exposed in Buenos Aires. A Mercurio columnist advised Argentines to maintain the dollar-peso parity at all costs. Chile faced a similar crisis in

1982, he reminded his readers. when it had a fixed exchange rate, and devalued, with disastrous effects on growth, employment, and inflation.

By Angus Foster in São Paulo, David Pilling in Buenos Aires and Imogen Mark in Santiago

Argentina extends credit By David Pilling in Buenos Aires

Large Argentine banks are to extend credit lines to smaller institutions whose operating conditions have been severely affected by the fall-out from Mexico's financial crisis.

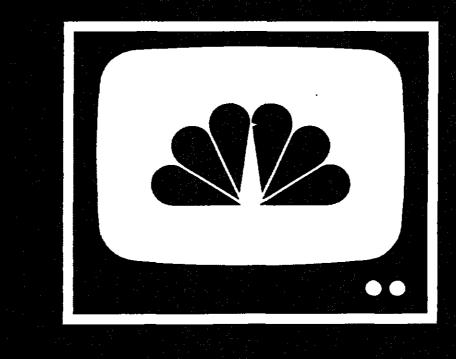
The measures, announced by the government over the weekend, are aimed at ensuring that liquidity problems, which have already contributed to the suspension from trading of one bank and one broker, do not spill over into a fully-

fledged banking crisis.

"The central bank is acting in a preventative capacity to ensure that problems of liquidity do not become problems of solvency," said Mr Domingo Cavallo, Argentina's economy minister. Small Argentine institutions have been hit by the near-trebling of interbank rates - on some days to nearly 30 per cent - and by the fall in the price of bond holdings. Under the scheme, rules gov

erning reserve requirements of the five largest private banks Francés, Galicia, Rio, Crédito Argentino and Citibank -will be relaxed. This will free up additional resources which will be on-lent to small banks that are facing "transitory" liquidity problems. The government has stressed that the measures are not intended to hail out insolvent institutions. Argentina has been the

Latin American market most battered by Mexican shock-



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THE PERFECT MIX OF NEWS, BUSINESS AND ENTERTAINMENT

Beijing plans | HK property wakes up with a hangover to expand forex trading

China yesterday announced plans to broaden its fledgling market-style financial system by expanding foreign exchange trading and allowing foreign joint venture banks into the capital Beijing for the first

Anticipating a tightening in foreign currency reserves this year, the Shanghai-based China Foreign Exchange Trading Centre and its rate-setting system will increase the number of currencies traded and start forward transactions on a trial basis, an official of the State Administration of Exchange Control said in a report in the official Business

Weekly newspaper.
The centre, which opened last April as China's interbank foreign exchange market and is linked via computer to 23 cities, is also considering a proposal for computerised remote trading, the official said. Cur-rently, only US dollars and Hong Kong dollars are traded in spot cash transactions. More US\$38.5bn and HK\$18.35bn have been traded in the market to date.

The measures are intended to "ensure a smooth transition to make the renminbi freely

However, to date, China has only made vague pledges to make its renminbi yuan currency convertible by 2000, and in the near-term intends to keep the unit under tight controls as a bulwark against the inflation, the official said. In recent months, steps

toward establishing marketstyle institutions have been retarded by soaring inflation and fears of unrest. Last week, the official People's Daily newspaper warned that a 24.2 per cent rise in retail prices and 21.7 per cent jump in the consumer price index in 1994 threatened social and economic

However, China has been under pressure from the US free its currency and its banking sector as Beijing negotiates to enter the new World Trade Organisation this year.

In a move toward further opening the yuan market to foreign banks, the government also announced yesterday that several overseas joint-venture banks would be allowed into Beijing soon. Some foreign banks have joint ventures in Shenzhen, Shanghai, Guangzhou and other coastal cities. But they have been blocked from opening branches in the capital and conducting transactions in yuan.

A dozen banks will be chosen from a list of 50 institutions from the US, Japan, Germany and Hong Kong, the China Economic Times said. The official newspaper did not spell out criteria for choosing the candidates, although it named the Chinese partners as the Bank of China, the Industrial and Commercial Bank of China and the People's Con-

The market is suffering from normality after last year's euphoria, writes Simon Holberton

Business cannot get much worse for Mr Rocky Wong, 32, an assistant branch manager for Centaline, a Hong Kong estate agent. In his five-year career Mr Wong has seen nothing quite like the current malaise in the territory's residential property market.

"The market is very bad," he says. "There are just no trans-Mr Wong plies his trade in

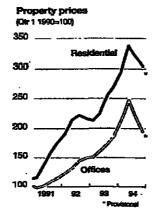
the Yuen Long district of the colony's New Territories. This is the heartland of middle Hong Kong, where foreigners hardly venture, English is rarely spoken and most people feel disconnected from the economic and political forces which shape their lives. He has the unenviable task

of marketing Bauhinia Garden, a 73-apartment development at Hung Shui Kiu. Work is nearly finished and the developer, Luk Hoi Tong, has 38 flats ready for pre-sale. The flats, which range in size from 618 sq ft to 1,500 sq ft, are attractively designed in the western style. They feature bay windows and a pediment on the top of each six storey block.

The flats were selling for an average of HK\$2,454 (\$317) a sq ft, until Hong Kong's leading property developers announced price cuts late last week of between 10 and 23 per cent. Now Mr Wong thinks Luk Hoi Tong will be lucky to sell 20 units of the whole development until the market finds its

Sitting at a desk strewn with paper, waiting for customers on a Saturday afternoon, he

Hong Kong property



says: "People will wait to see if

prices fall again."

Analysts with much longer

experience in the market con-

cur with Mr Wong's assess-

ment. Mr David Faulkner, part-

ner responsible for research at

property consultant Brooke

Hillier Parker, says: "Across the board the outlook is fairly

Even Hong Kong's normally

publicity-shy property com-

pany chiefs are voicing con-

cern about the market. Mr

Cheng Yu-tung, chairman of

New World Development, one

of Hong Kong's biggest house-

builders, endorsed the view of

Mr David Li, a prominent banker, when he called on the

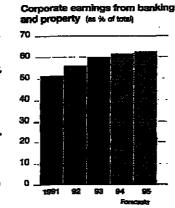
government to relax restric-

tions on bank mortgage lend-

ing. These rules limit banks

Mr Cheng said: "Considering

lending to more than 70 per cent of a flat's value.



Hang Seng Index

The government is unlikely to heed this call. Such a move would be seen as heralding the end to official intervention to cool the market, and the government believes the market has further to go before that signal can be given.

the weak market at present, 80

per cent is probably a more

reasonable lending rate than

Officials point out that the house price falls seen so far simply reverse the speculative blow-out of the first quarter of 1994 when prices rose by more than 30 per cent. Moreover - as Mr Tony Eason, secretary for planning, environment and lands, notes - the market could accommodate comfortably another 10 per cent fall in

"We should not panic about return to normality," Mr Eason said. "If they do [drop by 10 per cent] they will still be relatively comparable with 1993 prices, and they will still be out of the reach of many

potential purchasers."

Indeed it was the clamour about high prices, which started in 1993 and grew to fever pitch last spring, that prompted the government to tighten up procedures for the pre-sale of flats and to make more land available for development. This, together with a change in the interest rate outlook, led to an almost immediate cessation of speculative trading in soon-to-be-completed flats and the beginning of the fall in prices.

The change in economic conditions has also led to failure at recent land auctions and iore disappointments may be in the offing. In the next three months 12 auctions are scheduled, three of which will be for

residential development, and in current market conditions it unclear how enthusiastic roperty companies will be. With further interest rate

rises expected, potential home buyers may prefer to wait until the outlook becomes clearer. "People were prepared to stretch themselves when prices were rising. Now that they are says Mr Faulkner.

The malaise in the residential market is mirrored in the commercial property market. The rent cycle has turned down - although it may take a rent weakness shows up in company profits - and there are indications that capital values have also fallen.

They has not been a big commercial property sold in Hong Kong for nine months. But there have been a number of sales of floors of large buildings that were broken up into strata titles. This was a highly speculative market a year ago and analysts are chary of reading too much into isolated transactions. However, one which occurred last week raise some concerns about capital

This was for a floor of 9 Queen's Road in the prime central district of Hong Kong island. National Electronics, a watch manufacturer, sold the floor for HK\$13,349 per sq ft, some 36 per cent below the peak price level of HK\$21,000 a sq ft achieved in April last year. The price was, however, 50 per cent up on the HK\$8,878 sq ft the company paid for it in

As yet few have raised any serious concerns about Hone Kong's leading property com-panies. When full-year 1994 earnings are reported this spring, analysts expect them to be well up on those of 1993. What concerns them more is the outlook for 1995 and 1996. According to Morgan Stanley the gearing of property companies - their debt as a percent age of equity - remained relatively stable last year at around 20 per cent. This was in

spite of a 51 per cent rise in borrowings to HK\$97.9bn of the Gearing remained unchanged because the compa-nies' total equity rose 53 per cent. However, the main reason for the rise in equity was the revaluation of property. If companies have to revalue their properties downward in 1995 and 1996, as seems likely.

then gearing will rise.

Moreover, the extra HK\$33br of debt which the property companies took on to their balance sheets last year is expected to lift their interest burden from HK\$5.2bn to HK\$9.1bn. If interest rates rise further, so too will the interest burden

Morgan Stanley concludes relatively optimistically that "this is hardly likely to threaten earnings, but it will dull margins". However, Mr Faulkner believes that net asset values for property companies will come down and gearing will therefore rise. So far the slide in property

values has been orderly. But in the absence of any good news, the risks are all on the down-

Sri Lanka peace remains fragile

By Mervyn de Silva in Colombo

Pope John Paul's brief visit to Buddhist Sri Lanka later this month could help President Chandrika Kumaratunga convert the "cessation of hostilities" that began yesterday into a formal ceasefire in Sri Lanka's 11-year war against the secessionist Tamil Tigers (LTTE). But she can do so only demands and ignores the

After consulting the army high command she agreed to safe passage for up to 15,000 Christian families of the northern peninsula, the Tamil homeland and LTTE bastion, to visit the capital Colombo to see the Pope on January 21. The army has agreed to supervise two routes but the LTTE insists on access to the mainland through Pooneryn, a heavily fortified camp which was attacked by several hundred Tigers two years ago.

Since that incident, in which the army suffered 300 casualties, Pooneeryn has been converted into a vast fortress. with a large defence perimeter. It is also heavily mined. The LTTE had been sending scouts, many of whom died in landmine explosions or were shot dead by troops.

Mrs Kumaratunga is on a "hearts-and-minds" campaign, treating the LTTE as the de facto representative of the

lution or autonomy she can offer cannot go further than what the majority Sinhalese regard as fair, otherwise she will face a backlash.

With the cessation of hostilities, Mrs Kumaratunga has made the island's minorities happy - the Tamils, the Tamilspeaking Moslems, the Indian Tamil plantation workers, and now with the Pope's visit, the n ø per ce island's 17m people. Traditionally the Christian community, particularly the Catholics. voted for the conservative United National party.

The difference between the 50 per cent vote of the People's Alliance which Ms Kumaratunga led at the parliamentary polls in mid-August and the unparalleled 63 per cent she collected in November as the alliance's presidential candidate is explained by this sharp swing of the island's racial-religious "block votes". Her slogan was "peace in our time". Now she must deliver. The LTTE knows that. It has imposed its will on the Tamil community to become what it describes as "the sole legitimate spokes-

man" of the Tamils. Mrs Kumaratunga is also seeking to win over the Tamil community by offering a SLRs39bn (\$785m) programme for the reconstruction of warravaged Jaffna. Some of the funds needed will come from privatisation.



Election allegations trouble Rabin

Less than two years before Israeli elections are due, Mr Yitzhak Rabin, the 72-year-old prime minister, is battling for the credibility of his leadership, his government and his peace negotiations with

Weekend allegations of collusion between his Labour party and the Palestine Liberation Organisation before Israel's 1992 parliamentary elections have added to his woes. He had already fallen behind his right-wing Likud rival. Mr Binyamin Netanyahu, in the opinion polls, was fighting indiscipline in his parliamentary ranks and was getting an

increasingly critical press. "He is very, very tired," the columnist Mr Yoel Marcus wrote in the liberal daily Ha'aretz. "He is not in control." The collusion charges appeared in the

memoirs of Mr Mahmoud Abbas (also known as Abu Mazen), who led the PLO team in the secret Oslo negotiations that produced the 1993 breakthrough. He reported in the book, The Road to Oslo, that a prominent West Bank business-man, Mr Said Kanaan, had a series of meetings with Mr Ephraim Such, now health minister, before the elections.

Mr Sneh was said to have asked the PLO to refrain from endorsing Labour, which would have alienated Israeli voters, and urged the PLO not to wreck the then Washington negotiations, which would have played into the Likud government's hands, or to press such sensitive issues as the status of Jerusalem or final frontiers. Mr Such was alleged to have advised the PLO to demand a freeze on Jewish settlement, thus putting Likud on the spot. Both Mr Kanaan and Mr Sneh have vig-

They said on Saturday that one meeting did take place, but that there was no attempt to co-ordinate election strategy.

None the less, Mr Netanyahu is making the most of Abu Mazen's gift. "If true," the Likud leader thundered. "this is the worst outrage of its kind in the history of the state, involving not only the fixing of an election campaign, but doing so in collusion with the enemy." Unless corroborative evidence is produced, Mr Rabin will probably face down the immediate crisis. But his other troubles will not fade so quickly.

A poll in the pro-Labour daily Davar on Friday suggested that if elections were held now Likud would win 42 seats in the 120-member Knesset, 10 more than it won in 1992, and that Labour would slump from 44 to 36. In direct elections for prime minister, Mr Netanyahu would defeat Mr crously denied the Abu Mazen account. Rabin by 51 to 42 per cent.

INTERNATIONAL NEWS DIGEST

Russia to finish Iran N-plant

Russia has agreed to complete work on a nuclear power plant on Iran's Gulf coast in a deal worth \$800m, according to Mr on ran's Guir coast in a deal worth sedum, according to Mr Kazem Khabir, the plant's acting director. Two German com-panies began work on the Bushehr plant in 1974, before Ayatollah Ruhollah Khomeini's Islamic revolution. The proj-ect was later halted and the plant was heavily damaged by bombing raids during the 1980-88 Iran-Iraq war. "The Iranian side entered into an accord with Russia worth

\$800m to complete the project and Moscow agreed to complete the first unit of the nuclear power plant within four years," Mr Khabir said in remarks carried by Iran television. Mr Viktor Mikhailov, Russia's nuclear energy minister who arrived in Iran on Thursday, earlier told Tehran newspapers that a deal to finish the plant's first unit would be signed soon.

Mr Khabir said: "Ninety per cent of the construction work and 60 per cent of the equipment and machinery installation at the plant's first unit, with a capacity of 1,300MW, were completed by the German contractor." He also said the Germans completed 50 per cent of the construction work on the plant's second unit. Mr William Perry, US defence secretary, on a visit to Jerusalem, yesterday said Washington was "very much concerned about the potential that Iran might become a

Germany exceeds forecasts

One of the German government's top economic advisers adjusted his forecast for the economic outlook upwards yesterday, saying western Germany could expect gross domestic product growth of up to 3 per cent this year. Mr Herbert Hax, head of a panel of five independent economic advisers dubbed the "Five Wise Men", said the recovery had exceeded expecta-tions when the panel last reported in November. "The developments in the last three months indicate that the prospects are even better now than they were in the autumn." Mr Hax told

the Express newspaper.

The panel had forecast in November that pan-German GDP would grow by 3 per cent in 1994 and at the same rate in 1995. That meant GDP would rise by 2.5 per cent in western Germany and by around 9.5 per cent in the five eastern Linder (states). Mr Hax's revised forecast is in line with projections made by the Munich-based Ifo economic institute which last week predicted that German GDP would grow by an average 3 per cent over the next five years. However, the DIW economic think-tank in Berlin said the economy would expand by only 2 per cent this year, down from 3 per cent last year. Michael Lindemann, Bonn

Party treasurer speaks out

The treasurer of France's Republican party, placed under investigation on Friday by magistrates in connection with politically linked corruption allegations, said at the weekend that at least two other government ministers were aware of the way in which his party was funded. Mr Jean-Pierre

the way in which his party was funded. Mr Jean-Pierre Thomas, treasurer of the party which is part of France's ruling centre-right coalition, said on television that Mr François Léotard, defence minister, and Mr Alain Madelin, enterprise minister, were fully informed about party financing.

Mr Thomas, the deputy for Vosges, said he would not be made scapegoat for an investigation into Republican party funding when he worked under the authority and leadership of the leaders of the party. Mr Gérard Longuet, former industry minister, was forced to resign last year after he was placed under examination in connection with the same political party funding probe. Mr Thomas, who was placed under examinafunder examination in connection with the same political party funding probe. Mr Thomas, who was placed under examina-tion by Parisian judge Mireille Filippini, is being investigated on suspicion of falsifying invoices, fraud and being accomplice to fraud. The Republican party is the party of Mr Valery Giscard d'Estaing's Union for French Democracy, which governs the country in coalition with the Gaullist RPR party. Andrew Jack, Paris

Bosnian peace talks warning

A Bosnian Croat leader yesterday warned that fighting would A Bosman Croar reader yesterday warned that ngoding would resume unless peace talks were under way before a fourmonth truce expires in May. Mr Kresimir Zubak, president of Bosnia's Moslem-Croat federation, said: "Unless political talks on a final peaceful settlement in Bosnia begin by May I we shall start from Whenting activities." He also accurate the shall start fresh liberating activities." He also accused his Moslem counterparts of undermining their federation with the Croats, which was brokered last spring to end nearly one year of fighting.

General Sir Michael Rose, UN commander in Bosnia, yester-

day met General Ratko Mladic, Bosnian Serb commander, in an effort to remove obstacles to implementing the ambittious four-month cessation of hostilities agreement. But Gen Mladic said Serbs needed "black and white" proof that Moslem troops had withdrawn from demilitarised heights near Sarajevo before they open access routes to the besieged capital. Laura

Kurdish hopes founder on warlords' rivalry

The anti-Saddam forces are handicapped, writes John Barham, recently in Arbil, northern Iraq

ighting between rival Kurdish factions in northern Iraq over the last two weeks has left about damaged US and UK efforts to nurture a regional administration for the territory wrested from Iraqi President Saddam Hussein four years ago. Communications with north-

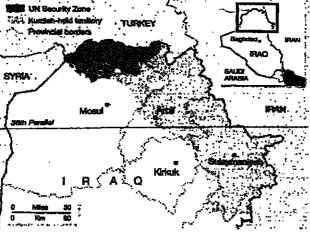
ern Iraq are poor and accounts of the fighting contradictory. However, it seems clashes between the armies of the two main Kurdish warlords, Mr Massoud Barzani and Mr Jalal Talabani, have been concentrated in Arbil, the regional capital It now appears that fighting

is easing, following mediation by the Iraqi National Congress (INC), an anti-Saddam alliance based in northern Iraq. Guerrillas, called peshmerga (first to death in Kurdish), are reported to be withdrawing from Arbil. Mr Barzani and Mr Talabani have been competing for control of mainly Kurdish northern Iraq since their guerrillas,

together with western troops,

drove Mr Saddam's forces out

of the area at the end of the



Diplomats and Kurds say fighting broke out after Mr Barzani and Mr Talabani failed to agree on sharing out tax and customs revenues. These have increased substantially since Turkey reopened its border with Iraq in September and started importing diesel oil in large quantities. Mr Barzani's KDP party, with about 15,000 peshmerga under arms, coning about \$100,000 a day in customs revenues

The conflict is a tragedy for the region's 4m war-weary people and an embarrassment for the US and UK. They, together with France and Turkey, pro-vide the Kurds with aid and enforce the United Nations' nofly zone above the 36th parala vital defence against Mr Saddam's forces.

US and UK attempts to foster mishes are likely to continue, a semblance of government in The risk exists that these US and UK attempts to foster

the area have repeatedly clashes could widen into civil foundered on mistrust between The ramshackle city of Arbil has many of the accoutrements of real government, including

an imposing parliament build-ing. But real authority resides in the palaces built for Mr Saddam's lieutenants, since remodelled as luxurious bunkers for Mr Barzani and Mr

Fighting last summer left about 2,000 dead and another 6.000 wounded in battles over territory. Hopes rose in November that a lasting peace could be achieved after leaders signed a truce, their eighth in four years. Mr Barzani and Mr Talabani agreed to create a new coalition government. But they continued to treat the other as enemies, never showing any intention of surrendering real power. Peace was inevtably short-lived.

The prospects that INC mediation will end the fighting seem little better now than three months ago. Until the two sides are reconciled or a clear winner emerges, skir-

war. The failure to establish a stable administration in the Kurdish enclave is a serious setback for the INC, which is also supported by the US and UK. It aims to establish a democratic, multi-party federal government in Baghdad after Mr Saddam is overthrown.

The British and American anti-Seddam policy received a further blow last week when France announced it was opening a special interests section at the Romanian embassy in Baghdad. Mr Alain Juppé, French foreign minister, even invited Mr Tarlq Aziz, Iraqi deputy prime minister, to Paris for the formal announcement.

Turkey is also seeking rap-prochement with Baghdad and supports an end to UN sanctions. Iraq was Turkey's main trading partner before the Gulf war. Turkish officials claim sanctions have cost Turkey \$20bn since then.

Kurdish leaders insist sanctions remain in place. They claim Mr Saddam's regime is in its death throes. They fear relaxing international pressure could give him a new lease on ries are interfering with international efforts to reverse the effects of Mr Saddam's 20-year war on the Kurds. He destroyed nearly all the Kurds' 5.000 villages and uprooted and massacred populations.

More than 80 official and non-governmental aid organi-sations are working on reconstruction projects. Yet even when they are not fighting each other, Kurdish factions try to grab as much foreign aid

Crime is rife in Arbil, where Kalashnikov rifles cost only \$30. Unemployment is at 75 per cent. Mr Ali Ahmed, a trader and father of three children, said: "There is not enough to live on. Now it is worse than six months ago. Lack of security and crime have brought business to a standstill."

Normal life will only begin the day their leaders set their rivalries aside. That day looks as far away as ever. But peace, it seems, can only come when one side emerges as undisputed victor and imposes a just peace or there is a new regime in Baghdad with sufficient authority to bring effective

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UK NEWS DIGEST

Labour pledges improvement of banks' services

Mr Gordon Brown, the shadow chancellor, warned Britain's banks yesterday that a Labour government would overhaul the retail banking system to improve customer services. The warning comes as the banks prepare to announce 1994 earnings, expected to prove the most profitable in recent memory. Mr Brown pledged that Labour would introduce a range of reforms - including a new banking regulator - to ensure that

consumers received "a better deal and a better service." Rising bank charges and apparent insensitivity towards the needs of small businesses and individual customers during the recession have aroused hostility towards the high street banks which the Labour party bopes to exploit in its bid to win the

TSB, will kick off the bank reporting season this Thursday, with expected profits of £490m-£500m, up from £301m the previous year. Of the UK's four leading clearing banks, analysts forecast National Westminster to announce profits of about £1.5bn, up from £989m in 1993, while Barclays is expected to announce profits of around £1.8bn, up from £664m. Lloyds Bank is likely to have 1994 pre-tax profits of around £1.20bm, up from £1.031bm in 1993, while HSBC Holdings, parent company of Midland Bank, is expected to show pre-tax

Lloyd's agencies 'halved'

profits of around £2.9bn, up from £2.584bn.

The number of agencies running insurance syndicates at Lloyd's of London or handling the affairs of its members has failen by more than 50 per cent in the past five years, according to figures compiled by the insurance market. The steep fall in members' and managing agencies highlights the consolidation that has taken place at Lloyd's in recent years – largely as a result of big losses in the late 1980s and early 1990s. By encouraging corporate investors into the insurance market Lloyd's has reduced the role of members' agencies which

handle the affairs of Names, individuals whose assets have traditionally supported the insurance market. Many agencies have, however, been forced into liquidation and face substantial legal claims for damages.

New wage intlation fears

Fresh indications that the recent strong economic growth is fuelling wage inflation emerged yesterday in an employment survey. The data, from Income Data Services, showed that many settlements concluded in January were running well ahead of the inflation rate.

With January typically considered to be one of the most important months for private-sector wage settlements, the data are likely to fuel fears that labour costs may accelerate next year, adding to inflationary pressures.

Although the annual growth in unit labour costs has been extremely low in recent months, both official figures and those from the Confederation of British Industry's pay databank have suggested that wages are nudging up.

Defence ministry backs hunting Britain's Ministry of Defence last night defended its decision to allow Army and Naval officers to go fox hunting while on duty. Defence Secretary Malcolm Rifkind will be asked by Labour this week to justify the time and money spent on the

But a ministry spokesman said men were allowed to go hunting at the discretion of their commanding officers and as-long as it did not interfere with their duties. He said riding improved their skills as cavalry officers and it was natural that Army horses should be used as the Army benefited. "The costs - salaries and upkeep of horses - have to be paid

for anyway. The sport is perfectly legal and all other costs have to be met by the personnel," said the spokesman.

Tourism effort for troublespot Efforts are being made to sell the "bandit country" of south

Armagh in Northern Ireland as a tourist haven. A tourism officer is being sought to change the image of the border region where, until the IRA ceasefire in September, police and troops were frequently killed by bombers and

But so far there has been little interset in taking up the task and the local council has been forced to readvertise the threeyear post after only one of those short-listed for interview bothered to turn up after an initial advertising campaign. "The development of rural tourism is a potent vehicle for local development, economic recovery, social progress and conservation of the rural heritage," said a spokesman for the

Sunday law goes to the dogs

Northern Ireland Tourist Board.

A greyhound named If You Wish ran into the record books a a country racetrack early yesterday when it won the Midnight Hour Stakes at Mildenhall greyhound track in Suffolk to give British dog bettors their first legal Sunday winnings for 200

Course owners had decided to take advantage of new legisla tion replacing the Sunday Observance Act of 1780 by stretching its Saturday night card to end just after midnight. Race meetings took place later yesterday at seven other tracks.

The new laws, part of the Government's Deregulation and Contracting Out Act 1994, also allow for betting offices to be

British Airways warns on plan for Heathrow airport

By Neil Buckley

Failure to build a fifth terminal at London's Heathrow airport would "fundamentally damage" the future prospects of British Airways, stop 4,000 new jobs being created, and lead to Heathrow's long-term

decline, the airline says. British Airways will today submit a 26-page report to the inspector leading the public inquiry - due to begin in May - into the application by the privatised airports authority BAA to build Heathrow's £900m terminal five. It warns that without it, there will be

insufficient capacity at London's airports to meet demand. - That would damage BA's future, mean passengers were less well served, and lead to Heathrow's decline in importance relative to continental European airports such as

Paris and Amsterdam. Objectors argue that Heathrow, which handles 51m passengers a year, cannot grow

without inflicting serious damage on surrounding communi-ties. A fifth terminal would increase capacity to 80m. But BA's report rejects four

"fall-back" options to deal with increased demand if terminal five were not built: Redeveloping part of the

existing airport at Heathrow as extra terminal space is impossible as land is not available. Gatwick could not be expanded as its single runway has few slots remaining for additional services. Stansted also has only one

runway, and is more remote from the main south-east England travel market. A regional airport could not be expanded as passengers from the south-east would be

unwilling to use it. The remaining option for BA, the airline says, would be to make the best use of a "capacity-capped" Heathrow and seek to grow through developing another European

NEWS: UK

City may benefit from EMU, survey finds

A small majority of London-based financial institutions believes that European economic and monetary union (EMU) would increase business opportunities for the City of London, even though the UK is

unlikely to take part.

An opinion poll published today also indicates that 54 per cent of City banks and finance houses believe Emu will be delayed as the result of the European Union enlargement that took place on January 1. A total of 250 management

representatives from 248 Lon-

don-based institutions took

opposition Labour party, is being urged by two senior party colleagues to offer a referendum on sterling's participation in a single European currency if he wins the next general election.

In a research paper published today by a leading Labour think-tank, two of the party's politicians call on Mr Blair to

questioned in the poll said institutions providing answers Britain should be in the first from two representatives. The group of countries going ahead overwhelming majority - 89 with EMU. 57 per cent thought per cent - forecast that monemonetary union for all EU tary union would take place in members would take place by a two-speed process with a 2010, but 25 per cent thought it smaller group of countries would never take place. According to the poll, carried

going ahead first. Only 36 per cent of those out by Harris Research for

Mr Tony Blair, Leader of Britain's immediately commit himself to a referendum on European Monetary Union before ate will not have an opportunity to vote the final decision is taken to lock sterling into a single currency.

The authors of the paper, published by the Institute for Public Policy Research, are Mr Alan Donnelly, a member of the European parliament and Mr David Ward, a former adviser to Mr John Smith, the

on Emu at an election because none of the main political parties is unequivocally opposed to a single currency.

"The only way to make Europe less threatening and more popular to the people of Britain is to give them the clear opportunity to choose," they argue.

late Labour leader. They say the elector-

OMLX, the London Securities City counters the generallyand Derivatives Exchange, 38 per cent of respondents said EMU would increase business opportunities for the City. A share of 32 per cent said Emu would reduce opportunities, while 25 per cent said it would have no effect.

beld view that economic and monetary union without Britain's participation would damage the City's prospects. Most respondents expecting that EMU would add to London's opportunities took this view because the City contains Europe's greatest financial expertise. Another reason was the relatively low knowledge of specialised financial products outside the UK.

Most institutions surveyed were UK-owned (142), with 44 from the rest of Europe, 22 from Japan and 15 from North America. Respondents from UK-owned institutions were more optimistic than those from the rest of Europe that EMU would improve the City's business opportunities. While 44 per cent of respondents from UK-owned institutions believed Emu would aid the Citv's opportunities, 27 per cent of those from non-UK European

By James Blitz

Mr William Waldegrave, Britain's Agriculture minister, yesterday defended himself against claims that calves from his farm in Somerset are despatched to Europe and raised in the "veal-crate" system banned in the UK.

Amid continuing protests by British animal rights groups, Mr Waldegrave, who owns a 1.000-acre dairy farm, said he disliked the European practice of containing calves in crates

but said that he and other farmers had little control over Animal rights protesters

have argued that, under the crating system, calves are treated badly, spending their lives in cramped conditions. They claimed at the weekend that Mr Waldegrave showed little understanding of the system and should resign. In a series of interviews for the press and television, Mr

farm when he took up his ministerial job, said he had no control over who purchased bull calves from his farm once they were sent to livestock markets. "I believe it is probably possible to produce veal in a humane way. I don't like veal

crates - for the same reason the government abolished them here," he said. "Most dairy farmers, like me, don't like the way veal animals are inhumanely treated, but there Waldegrave, who resigned as a is unfortunately little they can director of the family dairy

Art thefts raise premiums By Richard Donkin

The relative optimism about

Increasing numbers of art thefts are forcing up insurance rates and creating growing security problems for important British and European collections, a leading art under-

writer warned yesterday. Mr David Scully, underwriting manager at Nordstern Art Insurance, the international art insurer, said country house collections had begun to attract professional criminals connected to international drugs rings and crime syndi-

premiums," he said.

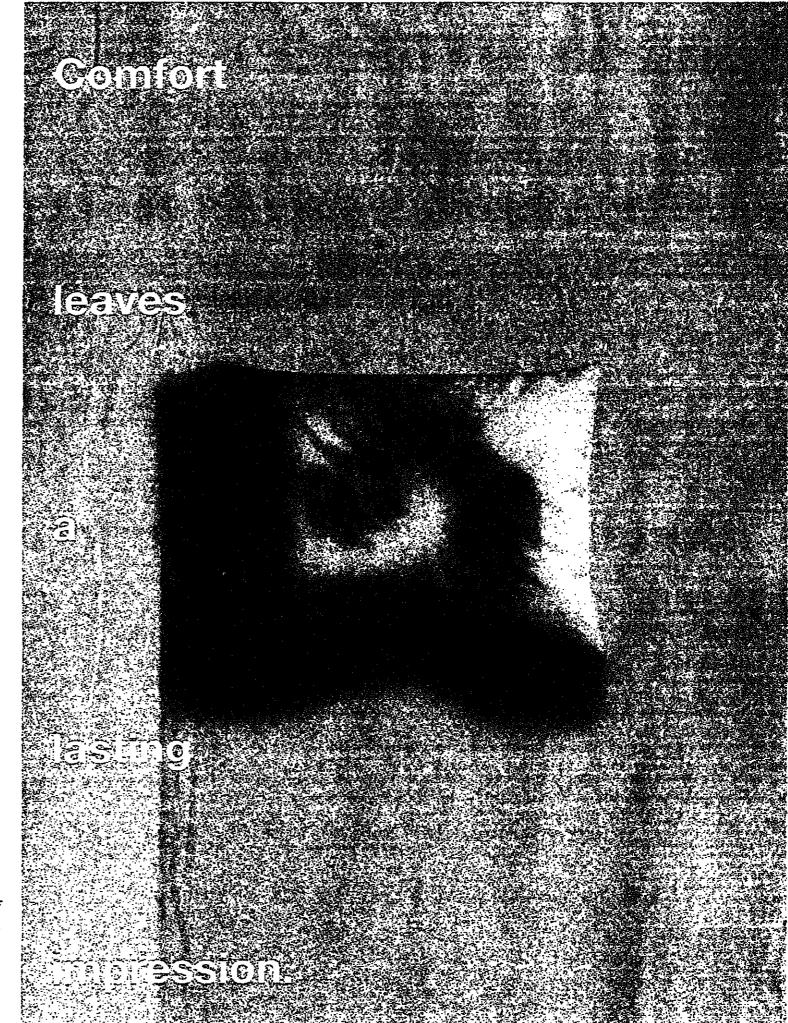
While the overall insurance market had softened, he said, the rates for collections of old masters were likely to increase because of the thefts. "This has got to put up rates because more is being paid out in claims than is coming in in

He was speaking after police investigating the theft on Friday of Titian's 'Rest on the Flight into Egypt', and two other paintings from Longleat House, home of the Marquess of Bath, confirmed yesterday their belief that the work could have been stolen to order. The Titian theft is the latest in a series of similar burglaries in British country houses and

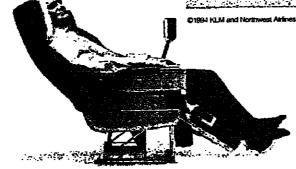
museums.

Figures from the Museum and Galleries Commission show a sharp increase over the past six months in thefts from collections open to the public. The commission reported more than 40 cases compared with an average of 60 a year.





50% more legroom and recline. Your own multi - channel video and a better choice of meals. All together it means more comfort, control and choice.



We've increased legroom and recline 50% World Business Class[™]





Rise and fall of corporate thrills

or Jeanette, a manager with a communications company, it was one of the career: a team-building day with her colleagues in the Essex country-

"My first reaction was to panic how can I get out of this?" she says. She couldn't. "We had to chop logs, climb trees and cross rivers. After-wards, I felt exhausted and bruised but I didn't feel any great sense of achievement.

Jeanette does not want to repeat her outdoor management training experience. But she may not have to. Figures published last year by the UK's Industrial Society show that outdoor training is not being widely used: only 6 per cent of 976 corporate respondents to a survey said they were using such courses extensively, and a further 32 per cent said they used them occasion-

The survey concluded: "Forecasts for the future are not very different, although 36 per cent think that they will make occasional use of it."

Outdoor training is in a dip, rather than having fallen from fashion," says Gilbert Massara, management adviser with the IS. "Its popularity is down due to financial

He adds that it may also have an image problem, often being linked with yuppie-type leisure activities such as paintballing and go-karting. "We're not talking about paintballing - there is no management development in activities like that,"

Sceptics, however, find the claims for all types of outdoor training -the idea that getting cold and wet in a field might enhance managerial performance - hard to swallow. 'All the evidence that has evaluated outdoor training suggests that anything you do in a team is probably beneficial if handled sensitively," says George Sik of the occupational psychology specialists Saville and Holdsworth.

"But it makes more sense to give people tasks to do which at least appear to relate to what they do in real life." Unless you are joining a mountain rescue team, he adds, you are unlikely to need a wide range of

But advocates of the outdoor experience maintain that it's not just mindless activity, and that the ssons translate back to the work-

At Brathay Development Training in the Lake District, training consultant Phil Holdsworth says any outdoor activity is linked to clearlydefined objectives, set with the cli-ent. One might be to improve communications so that the company meets deadlines more quickly. "So before we begin the exercise they

He adds that, at Brathay, outdoor exercises are combined with indoor problem-solving tasks, using creative skills such as screen printing, so that all the group members can

Outdoor training has many advo-

cates. Allied Dunbar, the insurance company, has been sending teams of managers and supervisors to the wilds of Dartmoor for the past 10

Ian Hughes, training and development consultant, is convinced of the benefits: "During the week's pro-gramme we try to draw out basic management processes; people for-mulate this and can bring it back to the workplace. For example, they might have rehearsed a project management process and worked on it and perfected it."

Outdoor courses also provide the physical dimensions to replicate real work problems, according to Tim Glass, group career planning manager at retailer W.H. Smith.

He cites the example of a case study involving a manufacturing plant, distribution centres and retail outlets, where using the outdoors underlined the geographical separation - and problems - sometimes overlooked at work.

W.H. Smith includes an outdoor element in its training for graduates, and junior and senior management. A course for the lower level of senior managers might involve sailing for people who have not sailed before, or being taught how to cycle in a velodrome.

"It's a test of courage as well as skills," says Glass. "The point is to introduce people to new experiences, to broaden their minds under proper, safe instruction - and get them to achieve new things."

Glass says the company hopes participants return to work having built their confidence and widened their horizons. Another spin-off is the shared experience with col-leagues from different parts of the business, which can create lasting

Not all companies, however, are convinced. David Malaperiman, UK communications director at McDonnell Douglas Information Systems, says the group prefers to send its UK people on management courses closely related to the business. "They're given business problems



improve productivity and increase challenge".

challenge".

At Marks and Spencer, a spokesquality. They get to look at the company from the outside.'

woman says the company uses out-

They identify, for example, how to if it's more than just a physical levels in the company they're not going to have problems with their team-building or confidence," she

He says the company would consider outdoor training, "if something came up that made it look as wonain says the company would considered relevant for senior thing came up that made it look as wonain says the company and outsiders. It does not considered relevant for senior ing is that its emphasis on physical

Lingering taste for the outdoors

wenty months ago I was how they had got on.
given my own taste of outOnly five are stil door management training during a 36-hour "appreciation" course run from a converted barn on the edge of Dartmoor. The various raft building, emergency rescue and night search exercises - linked to classroom discussions of communication, team building and organisational change - were designed to show prospective clients (personnel and training managers in large UK approach can vield tangible bene-

Most of my nine fellow participants were enthusiastic about the experience and headed back to

Only five are still in situ, of which only one has so far used the Truro, Cornwall-based company which ran the Dartmoor event Training in Action. He prefers to remain anonymous - "we are a relatively young PLC with a PR department which is terrified of what shareholders might think of this" - but insists the 20 to 30 senior managers who have been on

have been very positive". Lesley Dayson, training mana of computer distributors Front Line Distribution, subsequently decided to go for another outdoor training provider. She says the courses have been "very worthwhile", especially

courses (including several women)

managers at Front Line have embraced the outward bound option. "It makes people acknowledge the effect of teamwork in a hazardous environment," says Day-

Lawrence Mitchell, senior personnel manager at the Royal Bank of Scotland in Edinburgh, reports that outdoor training "is still something we are considering for senior managers - but the bank has not yet sent any on a course. Royal Bank, he adds, has long used a centre in the Lake District for the development of junior executives. The other two, meanwhile, sup-

has been a victim of budgetary

Davey, finance director of the breakfast television company GMTV, nevertheless says "it is something we will consider in better days".

Financial constraint has been a big issue for Action Aid, the international development charity backed by individual sponsors which operates in 21 countries. "Outdoor training has been a casualty of general budget cuts." laments Ian Mooney, international human resources manager (whose boss attended the appreciation course). "I am moderately positive about it, though I wouldn't be rushplied evidence that outward bound ing to advise other managers at the moment. Yes, it's something we'd

or will not participate.

Holdsworth says that if someone is not contributing it simply mir-rors real working life. "The option is to get rid of the person or work with them," he says. "It may be that by putting the person in a posi-tion of leadership for the next exercise that they get more out of it and

become more engaged.

"The model we use here is comfort, stretch, panic. People don't learn much when they're comfortable; they learn when they're stretched; but not when they panic. Everybody's boundaries are differ-

Jeanette admits that she approached her training day with the intention of doing "the bare minimum", but it was not that easy. The trainers avoided actually saying the sentence, 'You don't have to do it'," she says. "It was all, 'you'll be letting the side down'. They'd briefed us beforehand that we had to stretch ourselves to get the most out of it. But when you're going across a fast-flowing river on a bit of rope, sheer terror keeps you

going."
The hale and hearty, macho image of some outdoor training courses is a turn-off for many businesses. "The bad suppliers will sometimes try to boost the macho image because they've misunderstood what organisations want. Good organisations will try to defuse it," says Massara. He says well-run courses will also

check out participants' fitness before they start: "The lead players ... are not in the business of having people collapsing on them." Safety aside, companies often find the cost prohibitive. Massara reckons a typical four-day course may cost up to £1,500 a head, though it could be a lot less depending on the content and structure of the course. Holdsworth admits that courses have become shorter - "possibly due to economic pressures" - and

for a course to be shortened. The difficulty of translating the lessons learned to the workplace is often another sticking point. Dena Michelli, product development manager at the Institute of Management, says companies are now looking at training long-term and are more interested in short courses and competency-based standards such as National Vocational Qualifi-

that companies will sometimes ask

"Many think outdoor training is passé, self-indulgent and macho -for the chosen few," she says. "They don't recognise its value. The focus has become more organisationbased. They don't train for training's sake - and outdoor training did have that sort of image."

In spite of its apparent dip in popularity, supporters of outdoor training believe it still has a role to play. Massara says: "It has to be used in conjunction with other forms of management development training. It's not the be all and end all."

their offices keen to sell the idea to restraint and the tendency in diffilove to do if we had the resources." when complemented by classroom work. About 130 senior and middle cult times to concentrate on more TD Last week I decided to find out specific training needs. Simon Bewildered by the lexico-inventive

has recovered well from "pre-senile dementia". Politically-correct social scientists have been helpful in recent years by "discovering" all sorts of crypto-scientific diagnostic terms to help explain certain less desirable behaviours.

Being dim. for example, is called attention deficit disorder if one is working class or mild dyslexia if

Are there no managerial psychia-trists who could not help defend the incompetent middle manager by finding the underlying "cause" of his problem? Thus the habitually late could be counselled for diurnal disturbance syndrome and those who dislike taking orders from authority, post-adolescence rebel-

Sleazy, corrupt managers suffer from socio-moral mania, while capricious and mercurial bosses could be described as erratic effect sufferers or victims of acute cyclonasty bastard should pose no problem for the lexico-inventive psychiatrist; what about hyper-aggressive/

hypo-assertive imbalance?

Most of all we need a term for the middle-aged, middle-brow, middleranking manager worn down by the "changes and chances of this fleeting world". Any advance on mana gerial menopausal myopia or bewildered techno-phobia?

The ubiquity of McDonald's has meant that economists have been able to come up with simple country comparative measures based on the price of a Big Mac. Thus how long a worker has to labour to purchase a burger in each country provides an easy comparator.

I have recently developed another - the air-miles magazine index or AMML it refers to how long in flying time, or distance, a magazine is good for in the sense that it will typically keep one amused. Thus I reckon that The Economist is probably an Istanbul magazine (about



31/4 hours), while Private Eye is worth no more than Paris or Amsterdam (about one hour). Hello! I feel should last that interlude from the revving the engines on the take-off runway till the "fastensafety belt" sign is first taken

"The rainforest," said our guide in tropical Queensland on Christmas Eve, "is a model of socialism. Everything is in equilibrium; no spe competes with another and all the plant life is mutually interdependent, in harmony and supportive."
Was he serious, I wondered, or

simply reading the signals from the rag-bag of wide-eyed foreign tourists he was escorting? Was this sentimental eco-babble or a new econobotanic model of the world? Having acute hearing for the word social-ism I paid particular attention to our learned and likeable

The rainforest was primitive, enchanting and varied but, like Castro's Cuba, the reality did not reflect our guide's professed ideology. Many of the plants, notably the vines, let the strong trees do their work for them. Twisting around their trunks, squeezing them to death and/or sucking them dry of nutrients, the vines often destroyed the strong Darwinian-surviving hardwoods. Many lazy lianas and ferns simply hitched a ride skywards on the healthy growth of the strong trees who became overloaded by these welfare dependants. This was nature not red in tooth and claw but green in parasitic oppor-

Perhaps our guide was right after all: the rainforest was a truer model of socialism than he knew.

Marketers are concerned with selling the comparative benefits of their products. In the world of competitive sport you come first, second or third and receive medals made of metals of proportionate values (gold, silver and bronze). This is the world of honest declensions: good, better, best; heavy, heavier, heavi-

est; far, farther, farthest. But selling products requires of marketers that they produce in everybody a "feel-good factor" about their choice, or indeed lack of

choice. Consider the world's favourite airline. First class does and will remain first class. No need to fudge at the top.

Nearly all airlines call first, first, as do railways, hotels and other service industries. The problems, or challenges as we

now have to call them, arise with second, or even third best. Thus business class is second class - not as good, not as luxurious, not as big. Some airlines favour calling their second class after some national hero, place or institution as long as it is positive, roman-

tic ... and vague. The real marketing problem lies in describing the poor blighters at the back of the bus; the "little people who pay taxes" and have to endure hours of discomfort squashed into seats made for performing midgets. How best to describe the citizens of the third estate remains the issue. If God had wanted us to travel economy he surely would have made us nar-



PROPHETS Abraham **Maslow**

psychologist and philosopher was the author of one of the best-known theories about motivation to emerge this century. Although his ideas have been superseded within academic circles, they retain an intuitive appeal for many

managers.

Described as the "father of humanist psychology". Maslow is best known for his notion of a 'hierarchy of needs" that

humans seek to satisfy. He put physiological needs, such as hunger or thirst, at the bottom of this hierarchy. The need for safety, a sense of belonging and esteem was placed in the middle, while the need for self-actualisation or personal development was put at the top.

He argued that the lower needs dominate peoples' behaviour until they are fulfilled. Once a need is satisfied, people turn to the needs on the next step of the

Maslow's generally outlinistic view of human nature as striving for self-fulfilment was expounded in his books Motivation and Personality (1954) and Towards a Psychology of Being (1962), which he wrote when he was head of the psychology department at Brandels University,

His ideas gained recognition at a time when rising affinence, industrial unrest and a tight labour market were prompting ses to search for a more humanistic, liberal approach to management. His philosophy encouraged organisations in the view that individuals might be capable of taking on greater responsibility if they were given more varied work and lighter

upervision. But Maslow's theory did not escape criticism. An important omission, critics said, was that aithough basic needs become less important as they are attained, failure to meet them

dissatisfaction. What Maslow did not see is that a want changes in the act of being satisfied," according to Peter Drucker, the management theorist. "As a want approach satiety, its capacity to reward, and with it its power as an incentive, diminishes fast. But its capacity to deter, to create dissatisfaction and to act as a

disincentive, rapidly increases." Maslow's work was, to some extent, superseded by that of other psychologists such as Frederick Herzberg. He distinguished between motivating factors which served deeper aspirations, such as achievement, responsibility and conal growth, and those he dabbed hygiene or maintenance

factors, such as salary aspirations or job security which could demotivate if they were not satisfied: Although Maslow's theory is

now seen as old-fashioned, many still find it attractive. In spite of obvious exceptions, such as the artist who produces a masterpiece while starving in a ... garret, most people feel incapable of achieving self-fulfilment while worrying about basic needs such as security and safety. The idea that a workforce can be motivated by notions such as responsibility, autonomy and the regard of others has also remained powerful.

Vanessa Houlder



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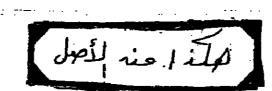
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مكذا منه لأصل

weeks ago, Mexican financial assets also look attractive, he

Furthermore, he predicts

that the country's current

account deficit, which reached

\$28bn last year, nearly 8 per

cent of gross domestic product,

will turn around rapidly. "It

seems to me that in the short

term our exports will rise and

our imports fall substantially,

and that we are going to have

a favourable trade balance.

Probably already the current

account will be about in bal-

ance in the short term," he

investors last week that a bal-

sible this year were greeted

with some scepticism by his

been built on the opportunities that arise out of adversity. His

father, Julian, arrived from

Lebanon in 1902. In what may

be one of the most violent peri-

ods in a violent history - the

Mexican revolution of 1910-20 -

his father opened a shop and

started buying property in

Mexico City. It made his for-

Carlos, his sixth son,

founded Carso in 1966, at the age of 26. That year, he also

established his other main

business, the stockbroker

Inversora Bursatil (Inbursa). It

was here that two other mem-

bers of the 1994 Forbes billion-

aires club started their careers:

Roberto Hernández and Slim's

cousin Alfredo Harp Helú, now

co-owners of Banamex, the big

Carso originally concen-

trated its activities in property

and construction, but in the

mid-1970s began to move into

Mexican bank.

ut, while he

acknowledges he is

"an engineer, not

an economist", the

Slim fortune has

anced current account was pos-

Slim's suggestions to US

How hard has the peso hit Mexico's richest man?

Mexico. He was also, according to Forbes magazine, the 12th wealthiest individual in the world last year with a net worth estimated at \$6.6n. net worth estimated at \$6.6bn. He is worth significantly less

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He is worm today.

The drastic devaluation of the Mexican peso and the collapse in the stock market has cost him hundreds of millions of dollars. Through his intermediate telephone Abraham Malam deligation of dollars. Through his intercept in the angles of dollars. Through his intercept in the state telephone monopoly, Telmex, his conglomerate Grupo Carso, and his financial business, Grupo Inbursa, he is said to control a fifth of the Mexican stock market his intercept in the state of panic.

But as he sits in his modest of millions of dollars. Through his intercept in the state telephone monopoly, Telmex, his conglomerate Grupo Carso, and his financial business, Grupo Inbursa, he is said to control a fifth of the Mexican stock market is in a state of panic.

But as he sits in his modest

Buttang in the line office in Mexico City's Louise district, suffering from 'flu, he least a fact the suggestion of the The Republic of the Sales of th

He says he saw currency both as har or or has Such as his per or the control of the speed and magnitude that has wiped nearly 40 per that has wiped nearly 40 per that has wiped nearly 50 per that has wiped n that has wiped many continues cent off the value of the peso in cent off the weeks.

the last three western of the The over-value American peso was clear when American started peso was creat warmed started the real started started The arvine that the in. When it came, though, the when the state of the state of

wife and the most debut Even so, Slim's standing in stock market folklore for his Market of the state of the stat billionaires - Forbes counted 24 last year, but will find many fewer this – it is the two rich est who have cemented their white white reputations.

Slim and the television magnate Emilio Azcárraga – net worth \$5.4bn, according to Forbes - are viewed as having the steer patter minimised the impact of the devaluation on their compastrial activities nies, mainly by aligning their dollar debts with dollar revenues and making sure spare cash was in dollars.

Many Mexicans, however, prefer to view wealth as deriving from corruption rather than cleverness. If Slim and Azcárraga fared better than the others, then they must

arlos Slim Helú is Last year, Carlos Slim Helú was worth \$6.6bn. Devaluation will have sharply reduced this fortune. But Slim's financial acumen remains unchallenged, writes Stephen Fidler

> have been tipped off in advance about the devaluation. Both, said the weekly magazine Proceso, "converted part of their dollar debt into pesos shortly before the devaluation

There is little evidence the government itself knew about the devaluation much in advance of announcing it, though government officials say a plan had been adopted to accelerate the peso's depreciation in the first quarter of this

Slim denies any tip-off, and says it is naive to think there would have been time to do much about it, had there been

Instead, he says his rule has been to allow his companies dollar debts only to the extent that they have dollar earnings. Nonetheless, the devaluation has cost his companies money, including the jewel in the crown, Telmex, which he has controlled since privatisation by the administration of President Carlos Salinas, "There will be an accelerated depreciation of fixed assets, but those companies producing for export and import substitution are going to be more viable,' he savs.

In Grupo Carso, such beneficiarles include Nacobre, which makes copper tubes, Condumex, which makes cables, MDBO, the electronic products and vehicle parts company. and Frisco, the mining company. Slim is also enthusiastic about the prospects for Alumsa, the aluminium company which should also benefit from higher world price for its main product

In fact, he says, the devaluation will imply a big and rapid improvement in Mexico's financial position. With Mexican interest rates above 30 per cent and the peso sharply weaker than it was a few

manufacturing. It subsequently took over the country's largest tobacco company. Cigatam, which makes Marlboro for the Mexican market. But it was in the early-1980s a period of high inflation, devaluations and debt crisis that Slim was buying the companies that would make him a billionaire. When the rest of Mexico was in panic, Carlos Slim, like his father, was buying assets.

Slim has attributed his success to three things: vocation, talent and work. A former mathematics professor at the National Autonomous University of Mexico (UNAM), he is said to recall in detail the balance sheets of his companies and the minutiae of their financial performance. He is not infallible: he suggests he is unlikely again to dabble in derivative markets where he is currently losing money after writing put options on Telmex shares. Nonetheless, he is regarded as having an excel-lent instinct about the Mexican economy.

An avid reader of Mexican history, he is an insomniac who works into the early hours of the morning. Polite but informal - he is reported once to have been ejected from the Mexican stock exchange building for not wearing a tie - his other main interest is his fam-

He and his wife, Sumaya, also of Lebanese descent, have six children. His son Carlos, who walked in during our interview and embraced his father, directs Carso's store business, Sanborn Brothers.

That part of the Carso business will slow this year along with the economy, but overall Slim says it is "better for the economy and the country to have an exchange rate relatively undervalued to one that is relatively overvalued". Still, it is unfortunate that

devaluations always seem to hammer Mexico so hard. "It's a shame that we do not view devaluations like they do in some developed countries. We have seen devaluations in the US, in France, in England and in Spain, without such powerful repercussions. Here it's like losing your virginity".



Early proponent of Chinese cultivation

At 49 Philip Tose, chairman of Peregrine Investments, is perhaps too old to be called the enfant terrible of Hong Kong's investment banking community and too young for the title eminence grise, writes Simon Holberton. He is an investment banker

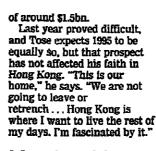
who – in this age of euphemism – stands out as someone who speaks his mind plainly and forcefully.

Tose has made powerful enemies among the vestiges of British Hong Kong through his opposition to UK government policies. His business tactics have also come in for criticism. Last month his firm was fined for helping clients create a false market in public company shares.

However, the censure is unlikely to upset the powerful friends he has made among Hong Kong's Chinese business élite or threaten his strong links with mainland business Indeed last week. Charles Lee, former Hong Kong stock exchange chairman, and Gao Shanquan, a mainland official. joined Peregrine's board.

Tose has been nothing if not assiduous (and prescient) in his cultivation of the Chinese. And he started early. He arrived in Hong Kong in September 1972 to work for Vickers da Costa, a London firm in which his father was a senior partner. He wrote the first stockbrokers' report on Li Ka-shing's Cheung Kong, a property and investment company. In 1975 Li and his company was unknown to Anglo-Saxon investors.

When, in 1988, Tose needed some help to found Peregrine, Li contributed to the start-up capital of \$40m. They have not been disappointed. Tose and his long-time partner Francis Leung have built a business



Macdonald goes native

Another feather in the cap for London accountants Touche Ross: one of its partners is to be auditor-general of New Zealand, writes Jim Kelly. David Macdonald, a

52-year-old native New Zealander, has been appointed to the post in a bid to restore public confidence in the monitoring of the country's He replaces Jeff Chapman

who resigned following an investigation into his financial affairs by New Zealand's Serious Fraud Office. Chapman was found to owe the Audit Office more than NZ\$156,000 (£60,700), and was heavily criticised for an insufficient regard for the prudent expenditure of public money. Chapman resigned, citing personal financial difficulties; he disputes two-thirds of the debt, as well as large parts of the report.

Macdonald, who starts work after Easter, is to restore credibility in the eyes of the constituency of the auditor-general – ie, the general public and parliament When the public watchdog leaves in these circumstances there is a credibility issue.' admits Macdonald.

A fellow of the New Zealand Society of Accountants, Macdonald is going back home. He joined Deloitte Haskins & Sells in New Zealand in 1960. After working on secondment in the



US he returned to New Zealand in 1971 and spent 20 years as a client service partner before transferring to the UK in 1990 as a partner in the UK firm's financial group, later switching to insurance

However, he kept up his contacts in New Zealand and has worked on assignments for the auditor-general which perhaps explains why he got the job.

Russian gasman par excellence

Hands up anyone who can name the man in charge of 35 per cent of the world's known gas reserves? Rem Ivanovich Vyachirev, chairman ol Gazprom, keeps a much lower profile than his predecessor, Viktor Chernomyrdin, the current prime minister of

Russia, writes John Thornhill. The grey-suited and bespectacled Vyachirev rarely gives interviews and remarkably, given Gazprom's importance – he is not even listed in any of the glossy directories of Russia's business élite published in recent years. A blunt-speaking, no-nonsense industrial manager, he commands enormous authority within Russia's gas empire and sees little need to cultivate a public image outside it.

However, Vyachirey may have to change his ways if Gazprom is to get the best price for the 9 per cent of its equity which it plans to sell to overseas investors. Kleinwort Benson faces a tough task sprucing up Vyachirev's investor-friendly image since he does not speak much English. Vyachirev, a gas man to his

finger-tips and graduate of technical sciences, knows his stuff. On the rare occasions he appears at international conferences he can be relied upon to lecture his audience for hours about the size of Gazprom's vast reserves and its future grand ambitions. the more internationally-

Gazprom was always one of minded and better-managed Soviet enterprises, and its managers have coped with the current economic turmoil in Russia far better than their counterparts in the chaotic oil industry. But, like most Gazprom directors, Vyachirev has little time - and not much more respect - for his foreign competitors. This, too, may have to change if Vyachirev is to take his rightful place on

Global role for Austin at Bell & Howell

Richard Austin, the British-born chairman and managing director of Bell & Howell's European document management division, has been appointed president of the US group's global document management systems (DMS) business, writes Paul Taylor.

Austin, 56, will be responsible for running the business, which spans both electronic imaging and microfilm systems for document filing and retrieval. He will be based in Bell & Howell's London office.

He was one of 16 corporate shareholders in an international management buy-out team which acquired the Skokie, Illinois-based group in 1988. Austin is credited with turning Bell & Howell into a technological leader in DMS, using software and systems developed both in Europe and the US.

Born in Harrow, Middlesex. he was educated at the local grammar school before attending London University. His service in the army included a tour of duty at supreme headquarters, allied powers, in Paris. He started his business career with IBM UK, as a management trainee but three years later moved to a sales job at 3M UK.

In 1968 he joined Bell & Howell in a sales management position, and progressed to become director of marketing for the group's business equipment division in the eastern hemisphere. He says his first 10 years at Beli & Howell were "full of change" as the group built up product lines and distribution networks for the microfilm business in competition with the market leaders, Kodak and

He was appointed European managing director of the business equipment division in 1979, and held that position until 1988, when he was appointed to his present post of corporate vice-president of Bell & Howell and managing director of the group's information management division in Europe.

He lives in Buckinghamshire and lists among his outside interests cooking, cricket, reading, eating and modest

MEDIA FUTURES

venture to attack Europe's CD-rom market

Olivetti Telemedia, formed last September to marshall the Italian group's skills in multimedia, is planning an assault on the European CD-Rom market.

It has formed a joint venture with StarPress Multimedia, a Californian multimedia developer and publisher. The intention is to develop

and distribute CD-Rom titles on a pan-European basis. called Olivetti StarPress Europe, and Olivetti has 51 per cent of the equity. It is aiming at the

bns "treamistube" "infotsinment" markets. which combine elements of education and information Olivetti Telemedia includes Acorn Computer, Online Media and Hughes Olivetti Telecomand Opera Multimedia, Olivetti Group's

CD-Rom publishing

operation. StarPress Multimedia, a two-year-old venture. develops, publishes and distributes interactive multimedia titles on CD-Rom for children and adults. Typical of its titles is the Sports Illustrated 1994 Mulitmedia Sports Almanac.

Grant Perry, Telemedia vice-president for new media and intermediation initiatives, was not prepared last week to discuss the size of the investment being made by the two companies, nor the likely revenues. He said, however, that

Telemedia could help StarPress by republishing and distributing its titles in Europe, while StarPress could help Telemodia establish a leading position in the CD-Rom business.

He said he hoped the venture could bring some order to the "chaos" that was CD-Rem publishing

System to take you inside the screen

By Alan Cane

Competition to develop electronic friends and helpers is mounting steadily. Forget personal digital assistants (PDA's). Ones such as Apple's Newton are just pieces of hardware. Forget software "agents" which search databases for useful information, too; they are only characteriess pieces of software. What the computer scientists are planning now is to create anthropomorphic beings in cyberspace to help, befriend and encourage their human companions on fantastic voyages of discovery.

Should they be taken seriously? The first of the species are already evident in the form of Fujitsu's Habitat video game, an electronic city whose inhabitants take on the personalities of the players.

Soon Microsoft intends to introduce its Utopia program, with a cast of cartoon characters on screen to help the user. So there is no reason to suppose that Stepan Pachikov, chairman of the Russian-US software company ParaGraph, is anything but serious when he describes his new software, AlterEgo, as a way of living other

He also has the endorsement of Regis McKenna, a management consultant and one of the shrewdest minds in California's Silicon Valley. McKenna, who belped Apple focus its corporate mind on market opportunities, says the AlterEgo software is remarkable.

Still in development, it is a set of software tools which makes it possible to develop three-dimensional moving video images. Pachikov envisages AlterEgo applications being offered as a service from a communications centre equipped with the

make it possible. He foresees three levels: Time Machine, which enables players to travel in time and space - to ancient Rome, perhaps, or 19th century Russia, Second, Culture and Ego: "Why not travel, not only in history but in the world of a personal ego.

Pachikov says, alluding to trips into the thought processes of famous painters and musicians. The third evel he calls Mind Exchange. "This is travel to worlds which are unknown to the human race. Can you imagine you are a fish in an ocean? Or a butterfly, or an ant, or a

says Pachikov. "But try to imagine you're an animal which lives in a macrocosm-space, according to its own laws and rules. We suppose there will appear a generation of writers and playwrights who will create such unbelievable worlds. And you may want to try living

In the real world, ParaGraph is an unusual company with headquarters in Moscow and Sunnyvale, California. It specialises in data compression and is best known for developing the handwriting recognition software for Apple's somewhat unsuccessful Newton

PDA. Analysts argue that ParaGraph's work was remarkable, but that pen-based products are not ready for consumer markets.

Mckenna thinks that ParaGraph should be able to launch this year a product or two based on AlterEgo software, though he is still worried about whether the time is right and the opportunities real.

He has no doubt, however, about the technology. "When I first saw AlterEgo I was sceptical," he says. "I thought it was Alice in Wonderland stuff. I was right. It is Alice in Wonderland for the 21st century."

Corporate publisher who is going places

Raymond Snoddy on what motivates William Sieghart

university. William Sieghart only took his first lob as a photocopier salesman for Rank Zerox to make money to finance his travels in India and

More than a decade later Sieghart is a millionaire: the founder and co-owner of Forward Publishing, an innovative corporate magazine publisher with a turnover of more than £7m. Clients include IBM, Marks & Spencer and Tesco. Despite growing responsibili-

ties, Sieghart's attitude to work and travel has hardly changed from his days at Rank Zerox. He likes to travel for about three months a year, often to remote and sometimes dangerous places. Last year his travels included Ethiopia, Jordan and Libya. When England is playing cricket in the West Indies, Sieghart is there for at least one complete Test match.

At present he is indulging his taste for ruins in Peru, Bolivia and Colombia, but will he back at his London desk by the start of March. "I have always thought it

was absolute madness to work 12 hours a day, weekends, and 12 months a year," says Sieghart, 34. "That's not going to produce your best work. If you don't take account of your spiritual development, your work will just grind you down." As someone who always wanted to work for himself, Sieghart is free to travel because he had editors he trusts, and a partner, Neil Men-doza, who looks after the shop while he is away. In contrast Mendoza, an American, usually takes two months off in more sedate fashion in the summer. on Long Island.

Sieghart's feeling for travel and different cultures has fed into one of his most interesting business relationships - with IBM – and the development of what he believes is a new type of international publishing for companies and their custom-

His escape from selling photocopiers came in 1984, when he was asked by Rank Xerox to produce a magazine that would portray its expertise in information technology. "I thought up the idea of a magazine that would go to all the chief executives around Britain and the kind of people who might influence board decisions about IT [information technology]." So he floated himself free

from Rank Xerox with a 12month contract and added further magazines such as The Viewer for ITV, as well as annual reports for clients that included Unilever and Cable and Wireless. "Anything a company puts

the corporate sector.

Forward has often found itself producing magazines to explain and demystify technical products aimed at the cousumer, which is what IBM decided it needed after it found that many of its customers could not operate its personal computers. Working with an advertising agency, Forward produced the idea of a magazine for users of IBM PC's. "We had to invent the first

magazine for people who hate computers. It's all about liberation - what a computer can do for you," says Sieghart, who brought together Steve Cooke, a former editor of PC World. and Louisa Young, a former assistant editor of the awardwinning women's magazine Marie Claire, to produce IMB's Help magazine. Sieghart also thought of using the colours of the ski slopes - from easy green to difficult black - to grade articles for accessibility. There are now 12 different

language editions of Help, with separate editorial teams in each country. Each issue is planned at a two-day editorial meeting in London. About 80 per cent of the copy is common, though everything is localised.

"Translated copy simply doesn't work," says Sieghart. "Every magazine feels like it is written by the Finns for the out in print is effectively publishing," says Sieghart, who happily applies the techniques the Germans.' of the glossiest magazines to

articles about fighter pilot soft-

Finns or by the Germans for In Germany, for example. Sieghart says they don't like



William Sieghart: "I have always thought it was absolute madness to work 12 hours a day." international companies

ware, while articles about modems are not particularly relevant for the French because they have Minitel, and thus feel they are perfectly familiar with modems. in Forward's London offices

there is "a kind of [BBC] World Service organisation". Production of each national edition is in the hands of a native speaker. Sieghart hopes that IBM will take the concept global, and that Forward will be able to make similar breakthroughs with other large

He declines to provide details of Forward's profits, though it is now 50 per cent owned by Landa, an investment trust with which Charles Saatchi, the advertising guru, is

believed to be involved. Latest returns registed at Companies House (year to March 1994) show a turnover of £6.2m for Forward, with pre-tax profits of

Apart from travel and producing magazines of which he is proud, Forward allows Sieghart to indulge a third passion -

love of poetry. Forward bas published poetry since its second year and Sieghart is the man behind the £10,000 annual Forward Prize for poetry, as well as National Poetry Day.

Most of all, he says he likes seeing the art and religious architecture of different societies and living, at least for a while, among those whose lives still have a traditional rhythm. If he is going to operate and live happily within the corporate and material world, he says, he needs to be part of that other world as well.

Sun and Thomson TV launch

By Alan Cane

A digital interactive television system, based on off-the-shelf technologies, has been announced in the US by an alliance of Sun. the work-station manufacturer, and the consumer electronics

division of Thomson of France. Systems of this kind are expected to prove the building blocks of the multimedia revolution, vying with home computers as the devices of choice for bringing interactive information and entertainment into the living room.

have been working together for six months, made the announcement at last week's consumer electronics show in Las Vegas. They claim that the system, based on commercially available products, is the first of its kind to be offered to network operators and content providers. It should prove significantly less expensive than specially-designed

The system comprises a video server based on Sun's work-station technology. These deliver digital video signals (compressed to the industry MPEG2 standard) to set-top

The two companies demonstrated a number of typical applications, including video-on-demand (with full VCR control, such as fast forward, reverse and pause), ticket-ordering and shopping applications, which allow viewers to respond to

BUSINESSTRAVEL

Japan earthquakes Japan picked up the pieces vesterday following three strong earthquakes in 14 hours. Seismologists warned of worse fremors to come. Although nerves were frayed, there was satisfaction among disaster officials that once again Japan's warning system and building precautions kept casualties and damage to a minimum. The latest tremors on Saturday, ranged from 5.2 on the Richter scale just outside Tokyo to 6.9 and 4.2 in Hachinohe, 325 miles north of the capital.

The Japanese Meteorological Agency said largest of 748 aftershocks in northern Japan since a

December 28 'quake killed three people and injured several hundred in Hachinohe, Yesterday, 5,000 homes were still without water and many stores were clearing up broken glass. In Tokyo, some trains were halted as a precaution, but that fremor caused no casualties or damage.

Japan has a centuries-old culture of coping with 'quakes More than 440 severe eerthquakes häve been recorded in detall since 416 AD, when court chroniclers first wrote of one in the ancient capital of Asuka. Modern Japan has spent heavily on precautions to detect 'quakes and help prevent disasters.

Sleeper offer UK business travellers are the target for a new rall ticket being introduced by Intercity West Coast. The first-class "sleeper executive single" service costs £79 for a journey etween London and

Aberdeen, Carlisle,

Edinburgh, Fort Willia Glasgow and Inverness. The price includes continental breakfast. The aim is to attract busin who normally fly in both directions. Intercity said it was also offering winter and spring bergain price:

24-hour Le Shuttle Eurotunnel's Le Shuttle train.

which takes passengers and cars through the Channel Tunnel between Britain and France, started a round-the-clock service last week 40 departures per day compared to 26 daily during the introductory phase. The Folkstone-Calais trip takes 35 minutes. Le Shuttle was the last of the various passenger and freight services to get going following the launch of the first commercial services through the tunnet last November 14. The launch of all services was well behind schedule.

Eurotunnel said that all ervices through the tunnel - Le Shuttle freight and tourist. services, rail-freight and the Eurostar passenger

service between London, Paris and Brussels - were starting to establish themselves. This will raise the stakes in the cross-Channel tussle for

business between trains and ferries. Eurotunnel added that the number of services would continue to increase, building up to the peak summer season. Last Tuesday, passengers on a Eurostar train travelling from Brussels to London were delayed for two hours in Lille, northern France. They had to change trains because of an engine problem.

Flight inconvenience Aircraft tollets took a panning from Britain's Consumers' Association last

week. A survey in the sociation's Holiday Which? magazine said the average provision was one nlent^o alrim award went to Portugal's TAP - one toilet per 94 passengers on its Boeing 737-200s, while the best provision for econo assengers was on Thai

Airways, Luftha Northwest Airlines, Cantas ssair, Virgin and Iberia in another survey, it found Egypt has the dearest car-hire, followed by Thalland and Australia.

Likely weather in the leading business certified L. Angeles 🖒 18 🖒 17 🖒 17 🐞 🎉 Cargo Artine of the Year Overall Winner again in 1994

Ugly but energetic

Irst-time visitors landing in São Paulo, Brazil's commercial and industrial heart, usually gasp at the size of the urban sprawl beneath them, then

choke on the pollution.

The city is home to about 15m people, if shanty towns and suburbs are included, and prides itself on being the southern hemisphere's biggest metropolitan area, as well as one of the biggest cities in the world. But when it comes to ugliness, São Paulo beats them all.

It is a monument to bad planning. Mile after mile of charmless concrete tower-blocks compete for light and scuffle over the occasional plot of

The city grew too quickly, transformed by Brazil's rapid industrialisation after the second world war, and its infrastructure is still trying to

World travellers may swap anec dotes over a late-night drink that Mexico City's pollution is worse, Bangkok's traffic system more appalling and Hong Kong's harbour more pungent. But São Paulo comes a close second on all three counts.

Before cancelling your trip, however, there is an aspect to São Paulo which visitors and residents often find compelling - its energy and

Sitting at the heart of one of the world's biggest economies, São Paulo is addicted to capitalism, money and consumption. For the millions of poor Brazilians who migrated to it in recent decades, it still provides the dream - however unattainable - of a better life for future generations.

It is also, in its central districts, a cultured city. Successive waves of European and Japanese immigrants have produced excellent restaurants, reasonable museums and eclectic

More recently, it has become one of the main centres for Brazilian popular music, home to the country's most successful football clubs and, this year, final resting place for the city's favourite son. Ayrton Senna. Where should I stay?

Hotels are expensive, as elsewhere in Brazil, and service often disappointing. There are three main business districts. Given the city's size, it is best to stay nearest to where your meetings are scheduled.

For the centre of the city, where many state government departments and lawyers have offices, the Hotel

Ca'd'Oro (tel: 256 8011) is reliable and has a good restaurant. Single rooms: about \$170.

Smart Guide: São Paulo

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The main banking and financial dis-trict has moved to the Avenida Paulista, the city's best-known avenue. The most central hotel is the Maksoud Plaza (253 4411), where rooms start at \$280.

Recently, several multinational companies have shifted out of the centre to the "Marginal" district. Here, the main business hotel is the Transamerica (524 1100), where standard

Restaurants? There are so many good restaurants in São Paulo that it is safe to ask your hotel for guidance. Italian and Japanese cooking is excellent. Massimo, a smart and expensive Italian restaurant, is popular with businessmen, as is the baby-beef Rubaiyat chain of upmarket grills. For Japanese food in a vaguely authentic atmosphere, the main Asian district of Liberdade has

several good restaurants on a street called Tomas Gonzaga.

Central districts are very lively most nights, and areas like Jardins. Pinheiros and Bixiga are full of late bars and câfés catering to different ages. Jardins draws a more sophisticated, older audience. Most nights, live music in Bixiga is cheap and fran-

Getting around? Taxis are plentiful but not cheap (\$2 flag-fall), and taxi drivers rarely know any but the largest streets. Preparing a map of where you are going can save much trouble. Drivers are friendly and more honest than their cousins in Rio de Janeiro. Prices are worked out using a meter and a tabulated price list.

What about safety? The central districts of the city are supposed to be no more dangerous than places like New York or London. But away from the centre, violence is often extreme. Visitors should be aware of the dangers, but not over-intimidated.

While it is perfectly safe to walk around in day-time, it is unwise for visitors to do so at night. Hide all valuables from view, including watches. If you are approached by someone with a weapon asking for your money - give it to them. Suppose I have a spare day?

If you have a few hours to while away, the main art museum, known as MASP, is interesting, though Brazilian artists are outnumbered by European masters. The Municipal Theatre, in the city centre, offers reasonable classical music.

At weekends, the main park of Ibirapuera is worth visiting to see urban Brazilians at play. If you have a more time available, São Paulo state's excellent beaches are about two hours away by car. If time is really not a problem, go to Rio.

An hour to spare: Milan

The glory that is the Poldi-Pezzoli

You are in Milan, with an hour between meetings. What to do? A courtyard off the teeming via Manzoni leads to the Poldi-Pezzoli, Milan's unsung and under-visited version of the Frick or the Wallace collections. Inside the palazzo is a typically eclectic, latish 19th century offering of everything from arms and armour, displayed in a Gothic revival armoury, to porcelain, Limoges enamels, paintings, furniture, textiles, jewellery, glass and sculpture.

A period domestic flavour lingers still. The gilding and rich pigments of small-scale devotional altarpieces glimmer in shuttered upper rooms, and ferns a-plenty rise out of ormolu-mounted oriental porcelains. The glory of the Poldi is that you have all this and outstanding works of art.

It is worth visiting to look at just one or two. Botticelli's Madonna of the Book may have seen too much of the restorer's brush, but it remains a marvellous work. The Lamentation of the Dead Christ, unusually strong meat for Botticelli, is even more impressive.

The famous 15th century profile portrait traditionally attributed to Pollaiuolo represents the archetypal blond Renaissance beauty. From her immensely long neck roped with pearls to her fashionably



Duomo, Milan

high forehead, she is cool and angular enough to chilt the summer sky.

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Not so Mantegna's Madonna. She sits with the sleeping Christ-child on her lap, bending to rest her cheek on his brow. With one hand she cradles his body close to her ing cloak, while her other hand gently supports his head - an extraordinary expression of maternal tenderness and sad-

Susan Moore

FINANCIAL TIMES

FT EXPORTER



FT EXPORTER: Winter Issue - January 31st

The next issue of the FT EXPORTER, Europe's leading export review will appear with the Financial Times throughout the UK and the Continent, on January 31st. Packed with advice, information and case studies the FT Exporter is a "must read" for all current or potential exporters.

To receive further information, please contact

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ARCHITECTURE

The key to prison design

Colin Amery reviews The Architecture of Incarceration

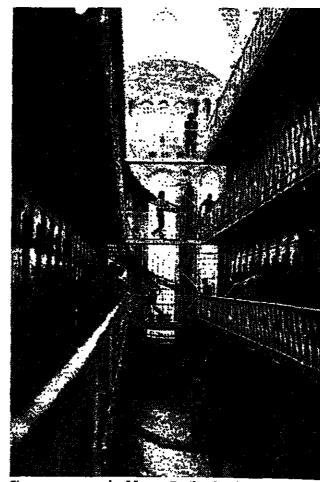
"Prison offers the same sense of security to the convict as does a royal palace to a monarch. They are the two buildings constructed with the most faith, those which give the greatest certainty of being what they are...The masonry, the materials, the proportions and the architecture are in harmony with a moral unity that makes these dwellings indestructible for as long as the social form of which they are a symbol endures."

I do not suppose Michael Howard, Britain's home secretary, has spent a lot of time reading Jean Genet's *The Thief's Journal*, despite the fact that it offers an extraordinary and readable insight into the criminal mind, and a brilliant perception of the qualities of prison architecture. But he may, at this moment, have on his desk a copy of The Architecture of Incarceration.

This is the last word on the timely question of prison design. It has some useful lessons from a range of contributors, including a cryptic introduction by Judge Stephen Tumin (HM Chief Inspector of Prisons), and the views of several architects, a prisoner and

In the last 15 years 21 new prisons have been built in Britain. There are more in the pipeline. Prison building repre-sents one of the few growth areas for the architectural profession, and it is one that is gradually evolving its own philosophy. The problem is that the prison no longer represents the kind of certain, authoritarian world that Jean Genet described when he was writing about France in the first half of this century. The changing nature of our ideas about imprisonment is clearly reflected in the state of prison architecture. Prisons built in the late 18th century and throughout the 19th followed the ideas of prison reformers such as John Howard and Jeremy Bentham, who believed that punishment by confinement would both protect society and reform prisoners.

At the heart of these ideas was the architectural necessity for a prison plan to allow the ers. This idea reached it zenith in Jeremy Bentham's panopticon - or "all-seeing" prison.



Strangeways: example of Jeremy Bentham's "all-seeing" prison

This centralised plan allowed the guards to be in a tower at the hub, where they could observe all the prisoners at all times. The Victorian era's radial prisons grew out of this idea, and Pentonville in London, Strangeways in Manchester, Reading, Durham and Exeter are all examples that are still in use.

These are the most basic of British prisons and are at present crowded to the full with prisoners. They are the prisons that provide rows and rows of cells on four or five levels, each wing radiating from a central rotunda.

In The Architecture of Incarceration, the most revealing contribution is an essay by Peter Wayne, who has been a prisoner for 11 years. Anyone interested in architectural history will have corresponded at some time with Wayne, because while "inside" he has

become an architectural writer and historian, with a special interest in the English Baroque and Thomas Archer. He has an interesting literary style and writes from the experience of being in 30 different prisons throughout the UK.

His description of spending 23 hours a day with two or three other prisoners in an 8ft x 13ft cell is enlightening. Not until 1996 will the practice of "slopping out" be eliminated from British prisons. This means that men have to defecate like dogs on to a piece of newspaper laid out on the floor of the cell in front of two or three other people.

Despite this and other hor-

rors, Wayne's architectural and aesthetic sensibilities became highly developed by the contemplation of both his immediate surroundings and his reading and correspondence with architects. Appar-

ently, Sir Richard Rogers wrote to him to say that his Lloyd's Building, in the City of London, had been partly inspired by the atria of Victorian penal establishments.

After the Mountbatten Commission report in the mid-1960s (inspired by escapes and prison troubles), the idea took root that the Victorian system of ruthless containment was wrong and that prisoners should enjoy a system of reha-bilitation and dispersal. The prison architecture that resulted from this was as expensive and disastrous as the tower blocks and other monstrosities of the 1960s.

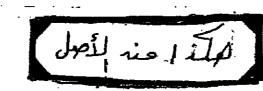
Wayne offers a potent

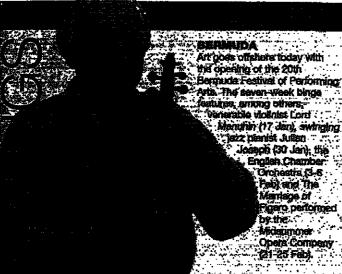
description: "Wrapped in their concrete, perennially waterstained walls; criss-crossed with miles of razor-wired fenc-ing; and sheltering smugly under anti-escape devices, an archipelago of identical living blocks cluster around the prison's main office and communal facilities." There are examples of these Mountbatten prisons at Long Lartin, Albany, on the isle of Wight, and Cartree, in Leicestershire. Wayne feels almost nostalgic for the authoritarian monumentality of the Victorian prisons. Per-haps he is right and there is no place for egalitarianism in places of punishment.

I recommend this book to all judges and Home Office offi-clals, struggling to deal with a prison system that is overloaded with an unsatisfactory building stock of all periods. The examples of new prisons in other countries show that there is no one clear answer Enterprising prisoners would enjoy the book - despite the fact that its detailed plans and clear photographs do not show precisely where the keys are

kept. Published by Academy Oroup. London, £35.

• In conjunction with the Royal Society for Arts, the Financial Times is hosting a panel discussion on The art of commissioning buildings - all you need to know, on January 18, starting at 6pm, at 8 John Adam Street, London WC2N 6EZ. The FT has six pairs of tickets for readers, for the first applications received. Contact: Vicki Harvey-Piper, corporate communications department, FT, tel: 071-873-3331.







NEW YORK A rare showing of French Renaissance prints can be seen at the Metropolitan Museum of Art over the next three months. Opening on Thursday, the exhibition consists of 126 works on paper from the Bibliothèque Nationale in Paris. They range from etchings of small numbers for artists and connoisseurs, to popular woodcuts reflecting the social and spiritual upheaval of

France in the 16th

century.

MUNICH . The only Janáček production for which David Pountney received a critical drubbing was his National Opera version of "The Adventures of Mr Broucek* in 1992. But Peter Jones. Pountriev's former ENO team-mate and now intendant at the Bavarian State Opera, decided the production was good enough for Munich. Sung in German, it opens on Thursday with Robert Tear in the title role.

HOME The new season at the Teatro dell'Opera, opening on Saturday with Berlioz's "Benvenuto Cellini", is the first in a with the Royal Opera, Covent Garden, Although the Berlioz production is not included in the 'exchance, it will be a test of new Sovrintenderite Giorgio Vidusso's ability to restore the fortunes of the Rome company, it is conducted by John Nelson and staged by Luigi Proietti, with a cast including Gosta Winbergh, Deborah Riedel and Diana

LONDON At the Tricycle Theatre in Kilbum from today, "Ain't Misbehavin" brings back to London the music of the great Fets Waller Including "Honeysuckie Rose", "Your Feet's Too Big", "I've Got a Feeling I'm Falling", and "Keepin" Out of Mischief Now". The show conceived by Morray Horwitz and Richard Maltiby and directed here by Gregory - was a Broadway hit in 1978.

* to spare: Mila old modern dance was on the cover of Time and the was the subject of a long profile and a subsequent critical broadside in The New An Asser Marining Marining

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He received a prestigious MacArthur Fellowship and was named resident choreographer of the Lyons Opera Ballet while still leading his own troupe in the US. Pantheon is soon to publish his autobiography and the Public Broadcast-ing Service is planning two shows on him.

Why is Jones's choreography attracting so much attention? While it is high on energy and verve, it is low on imagination and design. What has set him apart has not the been the tyle of his work but its content: a combination of anger and sexual provocation. As he told The New Yorker, ie makes heavy use of "the bjectification of my own body,

knowing when to take your shirt off ... There's a whole dynamic that I've worked

His other dynamic is rage at the audience: black rage, gay rage. He is black, gay and HIV positive. In the first piece he ever choreographed, a 1974 solo called A Dance with Durga Devi, he stood in front of the audience stroking his body and saying to the spectators, "You want some?" Then he cursed

In Last Night on Earth, a solo piece which he created two years ago, soon after his HIV status became known, be ended by falling to the floor in such a way that the audience, while contemplating his demise, was also forced to contemplate his crotch, swathed in a sequined dance belt. They greeted it with reverential applause, whereupon he rose, shot his fist in the air in the

Black Power salute and stormed angrify offsta The angrier he has been, the more he has used sexual provocation. Last summer, when he was dancing a solo at a fundraising party on Long Island, he stopped in front of two small children of prospective board members and exposed his genitals to them. "It was like a Japanese kabuki mime, he later explained, "the act

when an intense moment hap-

pens and the protagonist stops to make a pose." "So much of sex is about anger," Jones has said. The conjunction of those two elements works a curious magic on Jones's audiences. It seems to appeal to their need to sin and be punished. Jones titillates them, unbuttons his shirt, uses "that whole dynamic", then upbraids them. More crucial for American audiences is the fact that the sexual image is black-skinned.

Dancer with a black rage against his own dying light

Joan Acocella traces sources of anger for Bill T. Jones

Jones feeds on liberal guilt. He treats the audience with apparent hatred, but can they hate him back?

No. He is black, he is gay, he is HIV-positive. He has suf-fered, so maybe they should suffer too: at least suffering for this moment in the theatre is far less painful than taking political action for the sin of being more fortunate.

Jones has recognised this effect. In placing himself as an

'I can see in their eyes that they feel sorry for me, that I'm already dead. And that makes me mad

erotic image before the audience, he is recapitulating "a history of exploitation", the exploitation of black bodies for white purposes.

"This costs me something," he adds, "and I want you to know that it costs me something." But as he knows, it also

gains him something.

The spectators, having had both their sin and their spanking, feel they have experienced something complete and profound. And so they leap to their feet, applauding, and pronounce the work "courageous". In his solo performances,

Jones's most striking quality is his narcissism, his burning focus on his body as a source of fascination that we are intended to share. Even when he is not before us in person, stroking his chest or shaking his fist, he is doing it behind the scenes.

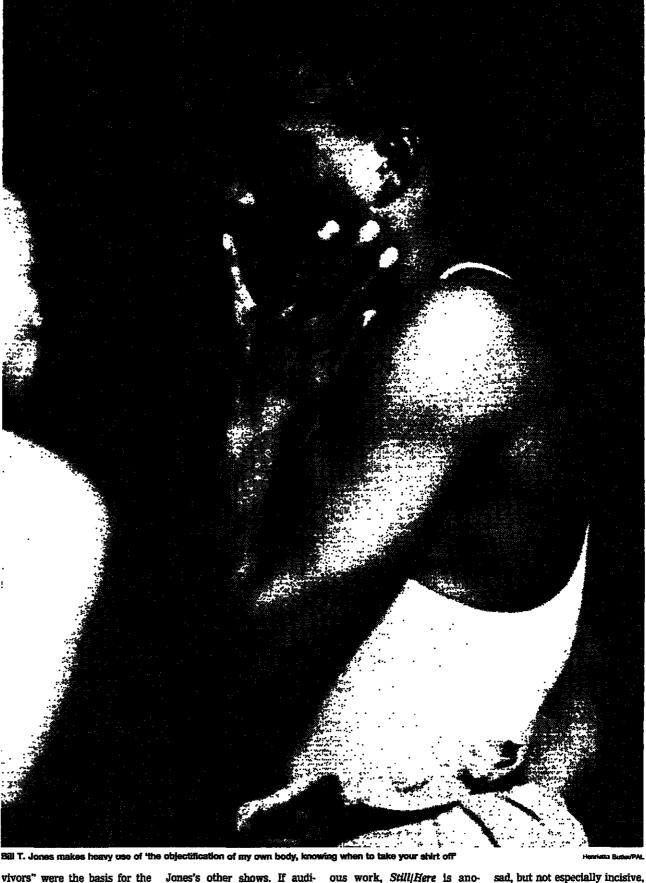
In a 1989 New York show, he had one of his dancers, Demian Acquavella, who at that time was dying of Aids, make an unscheduled appearance on stage. Dressed in a diaper and apparently unaware of what was going on, Acquavella grinned helplessly and thrashed on the floor until someone carried him offstage.

By ignoring Acquavella's another strike at the audience, as if they had caused Aids or were at least indifferent to its

Recently, however, the tone of Jones's self-presentation has shifted. There is less rage, less sex, and more of a feeling of spirituality. A current publicity photo-

graph shows Jones naked but for a loincloth, ascending into the air like an angel, or perhaps an image of the resurrec-tion of Christ. Clearly Jones is thinking about his death long before he should have had to, and for this one pities him. But the note of self-glorification is

The same atmosphere permeates his newest piece, Still/ Here, now touring Europe and America. Last year he held several "Survival Workshops", inviting people with serious illnesses - cancer, cystic fibrosis, Aids - to talk to him. Videotapes of the events became the raw material for Still/Here. The movements of the "sur-



vivors" were the basis for the choreography. Their faces are shown on the videotapes that play throughout the piece. The score includes sound tapes of their voices, together with songs, composed by Kenneth Frazelle, based on their words.

Still|Here uses the same gunto-the-head psychology as sive. In contrast to his previ-

Jones's other shows. If audiences are implicitly required to applaud any show dealing with the evils of racism and homophobia, what can be their attitude toward a show that con-

fronts them with innocent people facing death?
This time, Jones is not abra-

ous work, Still/Here is anodyne. The choreography depends on dancers falling (illness), other dancers supporting them (sympathy) and everyone gazing up into the light (search for meaning).

Meanwhile, the voices of the "survivors" boom through the auditorium saying the same

New York City Ballet principle dancer Heather Watts gives her last

performance in George Balanchine's

'Bugaku' and Peter Martins' 'Valse

Metropolitan Tel: (212) 362 6000

Die Fledermaus: by J. Strauss.

Sung in German with English dialogue at 8 pm; Jan 11, 14 (1.30

pm) , 18 • L' Elisir d' Amore: by Donizetti.

Produced by John Copely, conducted by Edoardo Müller at 8

Le Nozze di Figaro: by Mozart.

Madama Butterfly: by Puccini at

Giancarlo del Monaco. James Levine

conducts the opening night cast of

Vladimir Chemov at 8 pm; Jan 19

Cheryl Studer, Plácido Domingo and

Produced by Jean-Pierre Ponnelle, conducted by James Levine at 8 pm; Jan 12, 16, 20

Simon Boccanegra: by Verdi, A

new production directed by

Triste' at 7 pm; Jan 15

pm; Jan 9, 14, 17

8 pm; Jan 10, 13

PARIS

21/47 20 08 24

("What would happen if you

But the most stunning act of self-regard comes in the finale. The company is dancing fre-netically - an image, presumably, of fear - and a television is rolled onstage showing Jones, in close-up, speaking to "Can you picture your death? Can you own it and be responsible for it?"

One of the dancers pushes the TV set in and out among the other dancers, as if to spread its balm. Then he sits, fascinated, and simply watches Jones - an activity in which we are all invited to share. Having set himself up for so many years as our guilty conscience. Jones has now become our priest, our televangelist.

According to a statement released by the company, the subject of Still/Here is not only the suffering of those who attended Jones's workshops. It is all people trying to "survive in, for instance, war situations, famine, genocide, racism, etc."

In many cities, the show will be accompanied by a "Manag-ing Mortality" symposium, led by Jones. In Washington DC it was suggested that the symposium be staged at the recently opened Holocaust Museum Somalia, Bosnia, Rwanda, the Jews, presumably the Palestinians as well ... no one is excluded.

Despite the shift in mood Bill T. Jones has not stopped being angry. Earlier this year, he told The New York Times that he feels "angry and resentful that everyone isn't HIV-positive". Jones also becomes angry, he says, when he is identified as an "angry, HIV-positive black". But this, surely, is the identity on which he has built his work.

He gets angry, too, when people show compassion over his HIV status. "I can see in their eyes that they feel sorry for me," he told Newsweek 'that I'm already dead. And that makes me mad. When did I cross over?

Actually, he crossed over into a special territory long ago, by presenting himself not as an artist but as an icon, an avenger. But if, now, he asks not to be accorded a special status, we should pay him this courtesy. He is right - he is still here, which makes him different from many Somalis. for example. It is also time to stop accord-

ing his work a special status. It is not church or therapy or history's courtroom. It is theatre and however grave its subjects. they are only adjuncts to his true subject - himself, and what he sees as his power over us as our scourge, our desire, and our spiritual counsellor. continues until the autumn, including appearances at the American Dance Festival (July 20-22) and the Edinburgh Festival (August 25-27).



AMSTERDAM

Het Concertgebouw Tel: (020) 671

 Royal Concertgebouw Orchestra: with suprano Inga Nielsen, and mezzosoprano Elisabeth Laurence. Charles Dutoit conducts Lutoslawski, Debussy, Stravinsky and Bartók at 8.15 pm; Jan 12, 13,

GALLERIES Van Gogh Museum Tel: (020) 570

 Odilon Redon: retrospective of the French artist's work; to Jan 14 OPERA/BALLET Het Muziektheater Tel:(020) 551

 L'Italiana in Algert: by Rossini. Produced by Dario Fo, conducted Alberto Zedda at 8 pm; Jan 13, 15 (f.30 pm) , 17, 19

■ BERLIN

OPERA/BALLET Deutsche Oper Tel:(030) 341 9249 Ballet Evening: conducted by Sebastian Lang-Lessing. Nacho

Duato, Gien Tetley and Harris Mandafounis choreograph works by Debussy, Poulenc and Stravinsky at 7 pm; Jan 14 (6 pm) , 17, 19 Der Rosenkavalier: by Strauss.
Conductor Jiří Kout, production by Götz Friedrich at 6 pm; Jan 15 Madame Butterfly: by Puccini. Conductor Sebastian Lang-Lessing, production by Pier Luigi Samaritani

Zar und Zimmerman: by Lortzing Conducted by Hans Hilsdorf, produced by Winfried Bauemfeind at 7 pm; Jan 10, 13 (8 pm)

BRUSSELS

at 7 pm: Jan 18

CONCERTS Philharmonique de Bruxelles Tel:

(02) 507 84 34 Abdel-Rahman El-Bacha: pianist plays Chopin at 8 pm; Jan 11 Belgian National Orchestra: with soprano Zsuzsa Misura, barttone Andres Molner and conducted by Yuri Simonov plays Wagner at 8 pm; **GALLERIES**

Musée d'ixelles Tel: (02) 511 90 84 • Gainsborough to Ruskin: British tandscape drawings and watercolours from the Pierpont Morgan Library In New York Includes paintings by Constable Turner and other 18th and 19th century artists; to Jan 15 (Not Mon)

■ LONDON

CONCERTS Barbican Tel: (071) 638 8891 Briggite Fassbaender: the mezzo-soprano with the Academy of London conducted by Richard Stamp plays Beethoven and Mahler at 7.30 pm; Jan 16

 Faure: Requiem: City of London Sinfonia conducted by Harry Christophers plays Fauré and Mozart at 7.30 pm; Jan 20

 London Symphony Orchestra: conducted by Ivan Fischer plays Dvořák at 7.30 pm; Jan 12 Queen Elizabeth Hall Tel: (071) 928 8800 Cantabile: four man vocal

harmony group consisting of counter-tenor Morgan Crowley, tenors Paul Hull and Mark Fleming and baritone Michael Steffan performs songs of love and war at Messiah: by Handel. James

Gaddam conducts the London Orpheus Orchestra and the London Orpheus Choir at 7.30 pm; Jan 15, Orchestra of the 18th Century: with conductor Frans Bruggen and soprano Cyndia Sieden plays Haydn, Mozart and Beethoven at 7.45 pm; Jan 12

● The London Philharmonic: conducted by Elgar Howarth plays Gabrieli, Stravinsky, Birtwistle and Byrd/Howarth at 7.45 pm; Jan 16 GALLERIES

National Gallery Tel: (071) 839 3321 The Young Michelangelo: small exhibition of the artist's early work. Part of the 'Making and Meaning' series; to Jan 15 OPERA/BALLET

English National Opera Tel: (071) Figaro's Wedding: in house debut for conductor Demick Inouye at 7 pm; Jan 11, 14, 18

Royal Opera House Tel: (071) 340 Cinderella: music by Prokofiev. Created by Fredrick Ashton in 1948. this was the first full-length ballet by an English

choreographer at 7.30 pm; Jan 14 Così Fan Tutte: by Mozart. A new production directed by Jonathan Miller. Conductor Evelino Pidó. In Italian with English surtitles at 7 pm;

Jan 18 Othello: by Verdi. Conductor Carlo Rizzi, director Elijah Moshinsky. In Italian with English surtitles at 7.30 pm; Jan 13, 17, 20 Swan Lake: by Tchaikovsky. Choreographed by Marius Petipa and Lev Ivanov, production by Anthony Dowell at 7.30 pm; Jan 16,

THEATRE National, Lyttetton Tel: (071) 928

 Out of a House Walked a Man: by Daniii Kharms. A Royal Nationa Theatre and Theatre de Complicité co-production of a collection of musical scenes by the Russian absurdist writer at 7.30 pm; Jan 17, 18 (2.15 pm), 19 The Children's Hour: by Lillian

Hellman, directed by Howard Davies

at 7.30 pm; Jan 9, 10 (2.15 pm), 11,

CONCERTS Champs Elysées Tel: (1) 47 23 37

■ NEW YORK CONCERTS

708 9480

American artist: to Jan 10

OPERA/BALLET

 Choir and Orchestra of the Kirov Opera: with soprano Valentina Alice Tully Hall Tel: (212) 875 5050 Garrick Ohlsson: pianist, begins a Tsidipova, mezzo-soprano Olga Borodina, tenor Gegam Grigorian six recital series covering the and conductor Valery Gerglev plays complete solo piano music of Verdi's 'Requiem' at 8.30 pm; Jan Chopin at 3 pm; Jan 15 GALLERIES Museum of Modern Art Tel: (212)

 Nathalie Stutzmann: contratto and pianist inger Södergren plays Cy Twombiy: Comprehensive Schumann, Debussy and retrospective of the contemporary Tchalkovsky at 8.30 pm; Jan 17 Virtuosos of Moscow: violinist Vladimir Spivakov plays Haydn, Lincoln Center Tel: (212) 721 6500 Bartók and Tchaikovsky at 8.30 pm; Heather Watts Final Performance:

GALLERIES

Grand Palais Tel: (1) 44 13 17 17 Gustave Calllebotte: retrospective of the painter and patron of art who belonged to the circle of impressionists; to Jan 9 Musée d'Orsay Tel: (1) 45 49 11 11 Forgotten Treasures from Calro: a rich collection of works by Ingres, Courbet, Monet, Rodin, Gauguin and others; to Jan 9 (Not Mon)

things that most people say in

the face of extreme suffering.

In the lists of "survivor"

names that are recited in the

course of the evening, the

name Bill comes up often. We

also hear his voice again and

again on the sound tape, advis-

ing the workshop participants

■ WASHINGTON CONCERTS

National Symphony Orchestra:

Kennedy Center Tel: (202) 467 4600

with soprano Elizabeth Futral, mezzo-soprano Claudine Carlson and the Choral Arts Society of Washington. Leonard Slatkin conducts Ravel and Mahler at 8.30 pm; Jan 12, 13, 14, 17 (7 pm) Washington Chamber Symphony: Stephen Simon conducts Bach and Haydn at 7.30 pm; Jan 20

 Yo-Yo Ma: the cellist along with pianist Emanuel Ax, violinist Pamela Frank, clarinetist Paul Meyer and flutist Euglnia Zukerman plays Brahms and Schoenberg at 8.30 pm; Jan 11

OPERA/BALLET Washington Opera Tel: (202) 416

 Semele: by Handel. Conductor Martin Pearlman. Roman Terleckyj directs a Zack Brown production at 8 pm; Jan 9 (7 pm) , 13, 16 (7 pm) The Bartered Bride: by Smetana Conducted by Heinz Fricke. In

English at 8 pm; Jan 19 Vanessa: by Samuel Barber. Director Michael Kahn, conductor Christopher Keene at 8 pm; Jan 14 (7 pm), 18, 20

WORLD SERVICE BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m)

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Financial Times Business Tonight 17.30

Financial Times Business Tonight 00.00 midnight

Samuel Brittan

How to downsize the US today



more thought-ful BBC Year's programmes, presented by Christopher Hird, was devoted to one message: the irrelevance of traditional politics in the face

of financial globalisation. How far is it true? And if so, what follows? The wrong moral is that the political units have to be large. The correct moral is that the limits to government action are now more quickly apparent. The proportion of the national income of the main industrial countries invested overseas is less than it was at its peak before the first world war. The change is in the speedier transmission of information and money. The net flows across the exchanges are the difference between far larger flows which offset each

other over hours or minutes. But the interaction is two-way. Just as governments watch financial markets, the markets themselves watch governments. The White House official who observed that he would exercise more power in the bond markets than he ever would as president of the US was, to say the least, exagger ating. Rapidly reacting capital markets do, of course, make some policy options more difficult. Fixed, but adjustable, exchange rates of the Bretton Woods or ERM types are probably no longer a realistic option; and a straight choice has to be made between floating and a full monetary union with partner countries. But a monetary authority that is really sure of its ground does not have to follow bond markets slavishly

in setting its short-term rates. It is also necessary to pay the more mobile factors of production the going world rate of return. Again the proposition should be stated carefully. Net managerial and professional salaries have to be broadly comparable across borders. But tax rates can still vary so long as pre-tax salaries are correspondingly greater in the hightax countries. Countries can also survive with above-aver-



age "social" levies on wage bills, provided that citizens are prepared to offset these costs by lower take-home pay. Moreover, financial globali-

sation does not dictate the size of political units. Indeed, many existing units may be too large. Western governments made enormous mistakes in trying to set up post-colonial unions, such as the ill-fated Central African or Caribbean federations. They repeated the mistake in supporting unions such as the Soviet Union or Yugoslavia for far too long. And they have continued to talk nonsense about Chechnya being an internal Russian affair, while overlooking that Russia is itself a federation imposed by Tsarist conquest.

The moral applies for the west. As US managers have pioneered "downsizing" business operations, it is poetic justice that Thomas Naylor, a for-mer Duke University economics professor, should now propose "downsizing the USA". He believes it is futile for the White House or Congress to impose Washingtonbased solutions for problems such as poverty, homelessness, racism, drug abuse, violent crime, child abuse and inadequate education. For the US conspicuously lacks "a well-defined sense of community or attitude of connection linking

our 50 disjointed states". Because the Confederate states tried to secede in the 19th century for reasons such as the preservation of slavery and racism, it does not follow that secession would be wrong today. Naylor suspects that secession today would be led, not by the south, but by states

such as Alaska, Hawaii, Oregon and Vermont, above all the latter. He points out that Vermont's share of the \$500bn savings and loan bail-out was \$800m, even though it had no

savings and loan bank failures. He believes that states already have the legal right to secede. But to avoid Caucasianstyle catastrophes. America should plan for secessionist movements well in advance. Before Eurosceptics cheer too loudly, they should note that Naylor favours continuing with a single currency for all the states and also establishing a mutual defence alliance.

There is room to debate whether the best formula is a confederation like Switzerland or a strong but limited state with responsibility for currency, security, defence and trade. Naylor perhaps overidealises Switzerland, where "children are taught the virtues of self-sufficiency, hard work, co-operation and loyalty to family and community" and where welfare is administered by 26 very small cantons.

The European Union is still very weak in those main functions which are best exercised centrally, and much too heavily involved in matters such as common agricultural market rigging or labour market and environmental regulation, which are best handled locally. It would not be a model that many would want to build if it did not already exist. Fortunately federal superstates and reactionary nationalism are not the only alternatives for the future.

*Challenge, December issue, M.E. Sharpe, 80 Business Park ger, the ratio of workers to Drive, Armonk, New York 10504 retired people is falling - and

systems are in danger of collapsing under their own weight.

urope's social security

according a study from the Federal Trust released today. The study urges the European Union to agree a new directive requiring governments to gradually wean their citizens off the generous state pension benefits financed with taxes on existing workers and encourtheir old age.

The conclusions are similar to those in a World Bank study published last autumn which warned that unless countries begin planning now, their social security systems will be beyond reform in the next century when pension payments will constitute the lion's share of government spending. Ironically, it is Latin Amer-

ica, for years a symbol of economic mismanagement, that is attracting the interest of European pensions experts. Several countries there, particularly Chile, appear to be successfully making the transition away from state-funded pensions to a largely privately-funded pen-

sion system.
"Chile concluded in 1979 that even if inflation fell to zero and the economy grew at the projected rate, the country's entire gross domestic product would eventually have been required to meet the pensions promises as they were then," says Mr David Callund, partner at Callund and Co, an actuarial consulting firm specialising in Latin America.

For Chile, the benefits of reform have been remarkable. According to the World Bank financing the state's guarantees to retired people will cost less than 1 per cent of GDP. The remainder of pension provision is financed by savings employees are required to save 13 per cent of their pay. Admirers of Chile's reform

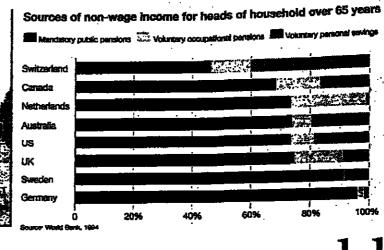
say it has produced better pensions - about 40 per cent higher than before - and created a pool of savings that has stimulated economic growth. Pension assets are now worth \$18bn, or 40 per cent of GDP, and provide an important source of finance for the private sector. In continental Europe, most

pension provision is financed on a "pay as you go" basis, rather than by savings. The taxes and social security contributions paid by employees and employers are used to pay pensions to those who have

But as people are living lon-

How the old depend on the state







Save now, spend later

that means a bigger burden to support pensioners for those in

work. "If we don't change our structure, social security contributions will more or less double over the next 30 years Europe-wide," says Mr Koen de Ryck, who heads the European Federation for Retirement Provision, a group urging pension

In much of Europe, governments have responded with reforms to their pension systems, raising taxes and trimming benefits. But that has not always proved popular: in Italy, for example, 1.5m workers took to the streets to protest against proposed benefit cuts needed to reduce the government's deficit, forcing the Berlusconi government to postpone its plans

The intensity of the reaction is hardly surprising, since, as the chart shows, pensioners in industrial countries currently depend overwhelmingly upon the state.

This degree of dependence on the state also makes the idea of big changes in state provision highly unpopular. inevitably, most European pensions experts believe that the radical reforms of the Chilean model - imposed under a military dictatorship - could not be applied to Europe.

The Chilean experience cannot be exported," says Mr Danieli Pace, head of Centro Europeo Richerche, an Italian research institute. "They built that experience with tanks. In Italy we have a little problem called democracy."
However, other Latin Ameri-

can countries such as Argentina, Colombia and Peru - all of them democracies - are putEurope can learn from Chile's pension reform, say Norma Cohen and David Pilling

ting in place pension reforms similar to Chile's and without

mass protest.

Mr Callund argues that the central ingredient in getting Chileans to accept reform was not their fear of the authorities, but their fear that the existing system would never deliver its promises. The problem about introducing similar reforms in Europe is that despite the frightening projections about the tax burden, most Europeans still believe that promises can and should

n France, for example, the government attempted to ensure that benefits can be paid by tinkering with the system. It has increased the number of years workers must contribute to receive full pensions and tied annual inflation adjustments to prices which rise more slowly than wages. "The French like crisis," said

Mr Emmanuel Reynaud, director of IRES, a French thinktank. "But the schemes are working now although their rate of return is going down. It is not on the point of collapse.

And in spite of the high levels of contribution required of employees and businesses, the political climate in France is deeply suspicious of those who want to destroy the community of interest between employer and employee", he

The main problem in converting from a pay-as-you-go system into a funded system, Mr Reynaud said, "is that one or two generations have to pay twice". Current generations would have to continue paying their taxes and social security contributions to pay existing pensioners, while building up personal savings to pay for

their own pensions. Governments will therefore have to offer fiscal incentives to persuade people to save long-term for their retirement a move that will create still larger budget deficits.

This "funding gap" was closed in Chile by increased public borrowing, through government bonds that offered returns above the rate of inflation. The private-sector fund management companies set up to invest employees' pension contributions were required to buy these bonds.

(These investment restrictions have now been relaxed since the growth of assets under management has been so swift - private pension schemes can now invest in corporate bonds, foreign debt and equities.)

However, Chile had a public ector surplus at the time it instituted pension reform. European states are already heavily burdened with publicsector debt and are unlikely to be able to follow this route. Moreover, Chilean pension reform came about as part of a wholesale reform of the domeseasing foreign exchange con-trols and a widespread programme of privatisation. This gave rise to strong economic growth which in turn helped invested assets outperform inflation.

European pensions experts say that enthusiasts for the Chilean model tend to gloss over its shortcomings. One is the spiralling sales costs created by fierce competition between the fund managers as they compete for new mem-

Another is a growing problem of employees evading the compulsory contributions. Also, the guaranteed minimum of 20-25 per cent of national average earnings is too low to be acceptable in many industri-

alised countries. But even if the Chilean expe rience cannot be replicated easily in western Europe, pensions experts believe that the countries of eastern Europe could learn much from it. In these former communist countries, governments urgently need an alternative to pay-asyou-go systems that pay low benefits to large numbers of people. Mr Callund notes that the macroeconomic picture in some east European states is similar to that facing Chile in the late 1970s.

And while there are political and fiscal obstacles in western Europe to converting from payas-you-go pensions to a funded system at a stroke, the transition is one that will have to be made - if only gradually. How each country makes that transition will reflect not only its demographic and macroeconomic setting, but its cultural

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THE EDITOR LETTERS TO

Number One Southwark Bridge, London SE1 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Labour's pursuit of City support

January 4) writes that the threat of a City "test" of a Labour government should lead Labour to commit itself to the City's favourite proposal -Bank of England independence. But what claim would Labour have to being either the party of justice or of sound economic management if it were to give in to such special

It is not as if City approval is a true mark of good policy. The City heartily approved of the Lawson boom until too late -

Criteria for

From Mr Philip Daubeney. Sir, Jim Kelly refers ("Disclo-

sure of board bonuses increases", January 4) to the

fact that a number of electric-

ity companies, which appear to

be picked at random, had based bonuses on five different

This is hardly surprising as,

of the five companies named, four are of differing natures. Yorkshire Electricity is an

English regional electricity and

bonuses

sets of criteria.

test passed, but policy disaster. Economic success, on the other hand, only awaited former chancelior, Norman Lamont's failure to "reassure" the City that sterling would stay within the exchange rate mechanism. Furthermore, many current problems can be traced to years of basing policy on the maintenance of "coincidence", favouring City interests over manufacturing and most recently the hysterical pursuit

of ever-lower rates of inflation. with astonishing disregard to the interests of manufacturing. What is required of Labour is

Sir, I refer to your report,

"Fund managers face demands

from banks to identify clients"

(January 5). Two years ago I raised the matter with the Financial Law Panel because

of the potential financial prob-

lems that could ensue from the

attitudes of many leading

As the director responsible

for compliance and risk of an

investment managers.

From Mr R Sturmer.

Institutions' monstrous

view on liability for clients

a balanced approach to the interests of manufacturing and other sectors and emphasis on long-term goals, not appeasement of City speculators. But Bank of England inde-

pendence pulls the other way, seeking to hand over policymaking to City interests. For Labour to turn the Bank into a privatised quango to pursue low inflation might win City favour, but it would let down the country. James Forder.

no one prepared to take the responsibility.

However, it raised another

question. If the broker had to

rely upon the undisclosed cli-

ent, how could he know his customer as required by the

We also found the institu-

tions unwilling to divulge

information about their clients

and so, if we wanted to con-

tinue doing business, we had

to adopt the attitude that the

risk was minimal and that no

honourable institution would

in fact rely upon its disclaimer,

I never had the guts to sug-gest to the writer of the letter

that I would contact his chair-

man to ask whether he was aware that his organisation was prepared to do business in

The institutions have only

themselves to blame if they

find they are under attack.

this fashion.

R Sturmer.

49 Tor Bruan

but these days who knows?

fellow in economics. St Peter's College, Oxford OXI 2DL

Newt and his mother

From Ms Eileen O'Connor. Sir, Newt Gingrich, Speaker of the US House of Representatives, said the conduct of Ms Connie Chung was "despica ble" ("Republicans hall an amazing day", January 5), referring to her interview with his mother. I would think that Gingrich would rather admire Ms Connie Chung. On his first day of service as Speaker she was able to publicly embarrass him by using the most unsuspecting weapon: his mother. How long did it take Gingrich to dig up dirt on former Speaker Jim Wright? Perhaps if he had hired Ms Chung... Eileen M O'Connor, 20 Edgewood Road

New Jersey, US

Turn rail

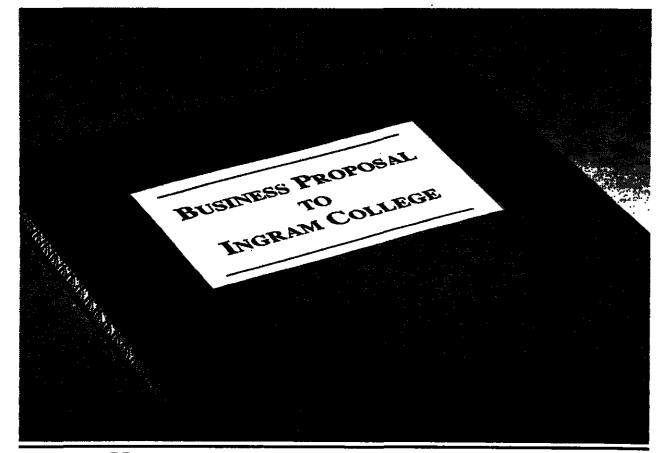
into road From Mr Alan G Saunders Sir, While stuck in the (now seemingly inevitable) traffic jam going south on the M6 a few days ago we were, for a good half-an-hour or so, in

close proximity to the main West Coast Railway. During that time one train went by. That is, one train in a period of more than 30 minutes and on a track which took up as much space as the motor way which was clogged with

It is apparent that the rail-ways have been in decline now for decades and that a dramatic rethink is necessary. To tarmacadam present railway tracks and to open them up to commercial traffic (freight and passenger buses) would not only relieve congestion on the motorways but would also provide direct access to city cen-tres for public transport and

commercial vehicles. If the present rail privatisation proposals are enacted then one can only assume (and hope) that the commercial facts of life, which have thus far been ignored, will dictate that a more efficient use is made of this country's slender land resource. Alan Saunders,

"Tigh Ruadh" Hazelwood Road, Bridge of Weir.



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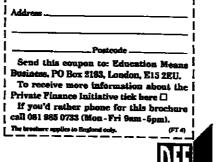
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institutional stockbroker, I was greatly concerned to receive from many institutions letters stating that they had no liabil-ity for their clients as they

have appeared that the market

energy company; Scottish Power is both a Scottish regional electricity company and a generator; National Power and PowerGen are were acting only as agents. English and Welsh generators; and Nuclear Electric is a It seemed monstrous that our leading insurance companuclear generator still in the nies, pension fund managers and discretionary investment public sector. Therefore, it should come as no surprise fund managers should be that such a group of leading companies, albeit all in the adopting this attitude, even if legally they may have been electricity industry, use differwithin their rights to do so. ent criteria when setting out Brokers almost always acted as agents, and one could envis-age a situation where it would their policy on bonuses. Philip Daubeney,

consisted only of agents dealing with each other and with | CM4 9HL

Electricity Association, 30 Millbank, London SW1

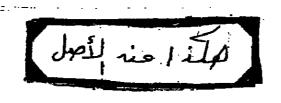
Why the Middle East peace process has stalled From Mr Graham Watson First, neither side is able to rein in its extremists. Second, Sir, Your leader, "No peace the Lib-Lab coalition's freedom for the timid" (January 4), is

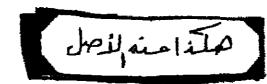
supported by the experience of a small group of Liberal Democrat MPs, which visited Israel just before Christmas. Our meetings with Israeli and Palestinian leaders suggested to us that the peace process has stalled for three main reasons.

of manoeuvre is restricted by the unpopularity of its domestic policies at home. Finally, no way has yet been found of bringing Syria into the equa-tion; and Syria is essential to a lasting Arab-Israeli peace.

The difficulty also lies, however, in the fact that the prize-

giving ceremonies are over, the TV lights are switched off and the protagonists for peace must now get down to the nitty gritty. The international community has invested so much in peace that it must not let the initiative fail. Graham Watson, MEP for Somerset & North





FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Monday January 9 1995

González on the wane

Mr Felipe González, the Spanish prime minister, has presided over his country for 12 years, two-thirds of its period as a modern democracy. He has brought Spain into the mainstream of European integration, greatly increasing its standing in international affairs. Yet ever since he won the general election in June 1993, the star of Mr González's minority Socialist government has been on the

MENTAL HAVEN

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M to pay

The latest allegations of government corruption and wrong-doing, together with the slide of the peseta on the currency markets, have heightened the impression that the prime minister has lost his grip. Spain appears in the throes of a spen or pomentally bring tainty that could eventually bring

Mr González bears a varying degree of responsibility for his woes. The man hailed as the unifier of the Spanish left has proved incapable of healing his party's factional quarrelling, and of grooming a successor from within its ranks. Other misfortunes stem from misbehaviour by subordinates. The recent accusations against former security chiefs suspected of organising an undercover war against Basque separatists 10 years ago, though serious, are not by themselves sufficient to drive Mr González from office. Yet these allegations, extending the series of scandals of the past three years, have wrought fresh damage to Mr González's image and credibility.

Lacklustre opposition

The Catalan party CiU, on whose support Mr González relies to stay in power, has said it will continue to back the government. The conservative Popular party, headed by Mr José Maria Aznar, has thus far been a lacklustre opposition. But if the party achieves a victory in the May regional elections similar to its sweeping win in last June's European elections, a move to topple Mr González would become feasi-

On the economic front, progress in reducing the budget deficit has been uncomfortably slow; the official 24 per cent unemployment. rate, while over-stating the true position, underlines how far Spain economic structures. Nonetheless Mr González has achieved some economic successes. He has introduced long-overdue reforms to relax hiring and firing rules without sparking serious trade union unrest - an accomplishment that Mr Aznar might envy. The govern ment is pushing forward telecom-munications liberalisation, pensions reform and deregulation of other protected sectors. After three consecutive years of economic growth well below the European average, the OECD is forecasting 1995 gross domestic product growth of 2.9 per cent, in line with Spain's EU partners.

Inflation fears

Unfortunately for Mr González ccelerating domestic demand and the falling peseta have sparked fears that inflation - now an underlying 4.4 per cent - could soon rise. These worries, coupled with Mr González's political set-backs, have provoked strong selling on the securities markets, driving up peseta yields to more than 4 percentage points above those on D-Mark bonds, and forcing the Bank of Spain last week to raise its benchmark money market rate from 7.35 per cent to 8 per

If the interest rate rise chokes off the recovery, Mr Gonzalez's political difficulties will intensify. However, the government still has an important agenda to fulfil. It must continue to confront the serious structural problems besetting the economy. During Spain's EU presidency in the second half of the year, the government will have to rally international support for its plans to shift EU resources towards the Mediterranean region

and north Africa. In all these fields, Mr González can increase his room for manoeuvre through active steps to free his government from the taint of impropriety. Yet the corruption scandals will loom less large if he also successfully tackles fundamental economic questions. There is too much to be lost by not egaining and increasing momentum on economic reforms.

Mr Gonzalez now needs to demonstrate decisively not only that he can reassert his grip on party and policy but that he wants to. He must also quickly find a potenstill has to go to modernise its tial successor to help him to do it.

The task for Tony Blair

Six months into his tenure as Labour leader, Mr Tony Blair can already claim to have turned his party into a more effective opposition, as well as an unprecedent-'edly popular one. He has adeptly exploited the divisions in the Conservative party over economic management and Europe, and waged a skilful campaign against the government's tax increases. He can also claim progress in repositioning Labour in the public

consciousness.

For all these gains, however, Mr Blair's task is only beginning. Next comes the battle over-replacing the socialist romanticism expressed in Clause IV of the party's constitution - a struggle he must win by securing an unambiguous statement of social democratic values without making backstairs concessions to the trade unions. Beyond that he needs to establish a coherent alternative to Conservative rule. He must start showing that after more than 15 years in opposition Labour understands the realities

Many in the party clearly do not. Even in the shadow cabinet, there are those who think it enough for Labour to rest on its 30-point opinion poll lead and take pot-shots at the Tories. Their judgement is doubly wrong. Economic recovery may refloat the government's fortunes. If it does not, Britain cannot afford its replacement by an administration without a credible programme.

Not that Mr Blair should be expected to produce this year a detailed manifesto. He has a right to pace himself and to leave precise judgements on, say, income tax rates until nearer an election. He can also argue that the countless policy documents Labour produced for the last two elections did more to obscure than illuminate its strategic position.

Greater clarity

But in a number of specific areas greater clarity is needed right away. Moreover, Labour must project a greater sense of how the policies it is currently there is a risk that it will simply over education in recent weeks. The most important test will be

the overall approach to the econ-

elaborating fit together. Without such a conceptual framework, appear incoherent, as it has done

omy. Mr Blair has promised a target for growth to sit alongside that for inflation which he would inherit from the present govern-ment. He has not explained which macroeconomic levers a Labour government would pull to ensure that the two goals did not conflict, nor which would take precedence. If he is serious about sticking to an inflation target and eschewing crude demand management, he must admit that faster growth will result from long-term supply side reforms, not annual targets.

Welfare state

Another crucial area is the welfare state. Here Mr Blair appears to have understood what many in his party have long resisted - that higher public spending on social security benefits is a sign of fail-ure not success. He also seems to appreciate that the best way to tackle poverty is to help people back into work. But he has been short on specifics. As a starting point he could state whether he endorses the proposals of the Social Justice Commission to tax child benefit and cap increases in the state pension.

In education, Mr Blair could send an important signal by clearly endorsing the idea of using the tax system to ensure that those who benefit from higher education pay the cost. That is clearly the fairest way to finance the widening of opportunities he has promised. He would also do well to clear up recent confusion on schools, by demonstrating that the party accepts unequivocally the benefits of parental choice and

devolved responsibility. These are by no means the only areas in which Labour is currently vulnerable to charges of excessive vagueness or obfuscation. It now calls itself the party of Europe, for example, but has yet to provide much explanation as to what that might mean. Nearer to home, Mr Blair has yet to make a convincing case for his decision to set constitutional reform - in particular devolution in Scotland and Wales - as a first priority of an

incoming Labour government. Above all, though, his challenge this year is to demonstrate that Labour can do more than assist the Tories to self-destruct. He needs to show sceptical voters that Labour is capable of effective government as well as opposition.

hoppers seeking bargains in a bazaar often find that lew items are as attractive as they seem at first sight. International fund managers who started 1994 with a great rush of enthusiasm for India have experienced much the same feeling.

In the past year, foreign investors have grown more aware of the possible barriers to progress both in the economy and in the stock market - including the technical difficulties of doing business in India's antiquated market conditions. There is also political uncertainty over the future of the government's economic reforms that have encouraged international trade and investment in the past three years.

But while investors are unlikely to display the same zest for India in 1995, most who have developed an interest in the country plan to persevere. They believe it offers enormous long-term potential, even if the immediate outlook is less than

"India is one of the top three markets in the world for us. Not among emerging markets but among all markets," says Mr John Moore, head of the Bombay office of Barings, the UK investment bank

The attractions of India remain unchanged. It is the developing world's second largest economy after China. Its 890m people offer huge markets, a large reservoir of cheap labour and pools of highlyskilled managers, engineers and echnicians.

Unlike China, it has most of the basics of the capitalist economy in place, including a solid legal code, commercial banks and an active stock market. Many Indians speak English, the language of international business. The pro-market economic reforms launched in 1991 by Mr P.V. Narasimha Rao, the prime minister, are steadily removing the shackles placed on free enterprise in the previous 40 years.

Foreign investors have put about \$3bn into the Indian stock market and a further \$4bn into international offerings made by Indian

But interest from abroad has declined sharply in the past two months. In November, the last month for which figures are available, foreigners made net purchases in India of just \$10.9m compared with a monthly average of nearly \$200m for the previous six months. December's figures are expected to be similar. Fund managers have continued to buy Indian companies' international issues - but only after securing big price discounts.

A year ago, India was virtually a new market to foreign investors. A government ban on foreign portfolio investment was lifted only in late 1992. Fund managers started investing in significant amounts only in late 1993. But much of this rush has

Mixed offerings at the bazaar

Foreign fund managers have become more wary of the Indian market, say Stefan Wagstyl and Martin Brice

been accounted for by funds with negligible holdings of Indian paper buying their first \$50m or \$100m of stock. Now that they have established footholds in India, they are taking their time about expanding their portfolios - and combining fresh purchases with some selling.

There are reasons for their caution. First, the international climate for equities has generally turned sour following worldwide increases interest rates, especially in the US. Emerging markets, which saw a surge of investment early in the year, are now mostly below their summer peaks, baving fallen further after the devaluation of the Mexican peso last month.

In India, equities rose more than 100 per cent between mid-1993 and mid-1994. Those international investors who entered the market early caught the end of this surge; but those who invested after the summer have suffered from a sharp correction which has taken the Bom-bay Stock Exchange's index of leading stocks down by more than 15 per cent.

The archaic trading, settlement and share registration systems of the market have also out off some fund managers. The market is often not transparent and sometimes illiquid. Despite regulatory and administrative improvements, payments for shares can take a month to arrive and the registration of share ownership up to three

To avoid these hurdles, many international investors prefer to buy international securities offered by Indian companies, mainly Global Depositary Receipts which are traded on the lightly-regulated

As Mr Nigel Rendell, emerging market strategist at James Capel, the UK broker, says: "Most people have steered away from investing directly in India, because of settlement problems. The GDR is the most efficient method of putting money in."

However, GDRs have some disadvantages. The 50 companies that have made issues are among the largest Indian companies, which tend to trade on higher multiples of earnings than smaller companies making the shares more expensive

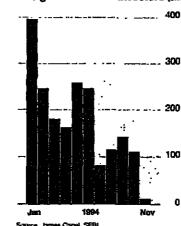




to buy than the rest of the market. Small and medium-sized companies, which some fund managers believe have the best prospects in the fastderegulating Indian economy, are barely represented on the Euromarket. Also, the market in Indian GDRs, capitalised at about \$4bn, is much smaller than the \$120bn domestic Indian market - making the prices more volatile.

Yet despite the technical problems, India has established itself firmly in the international investors' world. About 20 institutions are active on the Bombay Stock Exchange; more than 200 others have registered with the Indian authorities and are planning to invest at some point. Jardine Fleming, the Hong Kong-based investment bank, estimates the list of

Net monthly investments by foreign institutional investors (\$m)



potential investors for south Asian stock is even larger - 602 investors bid in the recent \$600m sale of shares in Pakistan Telecom, the telecommunications carrier. Jardine Fleming believes that a similar Indian offering would attract at least as many buyers.

However, few of these buyers are likely to rush into the market soon. The ruling Congress (I) party's defeats in the recent state elections has raised fears that the prime minister could relax control of public spending to recapture lost votes. This could push up interest rates and inflation, which is already running at more than 9 per cent, and stifle industrial growth.

The next annual budget, due next month, is seen as a test of future economic policy. There is also con-

cern that the electoral defeats could herald a prolonged period of politi-cal uncertainty, particularly if Congress fares badly in a second round of state elections in February.

Compounding these concerns is a worry about the scale of planned equity issues. In the domestic market, companies have already raised about \$8bn in the financial year that started in April and plan a further \$6bn before the end of March. In the Euromarket, they have raised in excess of \$2bn, with another \$500m in the pipeline.

In addition, there is a growing flow of stock from the sale of government holdings in state-controlled enterprises. Investors are attracted to new issues because they are priced at discounts of up to 20 per cent to the market; but fund managers are selling other stocks to raise cash for the primary offerings

a clear sign of indigestion. The over-supply of stock is affecting the whole market," says Mr R Balakrishnan, senior vice-president of DSP Financial Consultants, a Bombay broker.

ortunately, the economy is recovering well from the stagnation of the early 1990s. Output is expected to grow by more than 5 per cent in 1994-95, up from 3.8 per cent last year. Mr Manmohan Singh, the finance minister, believes that annual economic growth of 7-8 per cent is within reach by the late 1990s.

If he is right, there will be ample scope for continuing sharp increases in profits, which rose 70 per cent at the net level last year and are forecast to rise 35 per cent in 1994-95. Profits growth, combined with the recent fall in share prices, has brought down the price/earnings multiple - a key measure of value – from more than 25 to about 18 for the whole market.

Some investors believe these figures already make the market attractive. Mr Tristan Clube, director of Edinburgh-based Martin Currie Management, which runs the \$270m India Opportunities investment fund, says: "It has been a difficult market to make money in this year. But if you come in at the start of 1995 you would be pretty impressed by India."

Others, including Mr Balakrishnan, argue that the scale of new issues overhanging the market will prevent equities from benefiting from the recovery in the real econ-

Mr Ajit Dayal, a director of Jardine Fleming's Bombay office, takes a middle view. "We see prices rising. But any sharp rally will not come until the second half of the

Foreign investors are still in the bazaar. But they are picking over

A tax revolution in the making

ation on what people what they earn? It may seem improbable: no such revolutionary proposal is to be found in the Republicans' "Contract for America", their manifesto that will set the legislative agenda for the next few months. It contents itself with piecemeal changes such as a lower capital gains tax and child tax cred-

Yet the contract hardly represents the summit of Republican ambitions. Newt Gingrich, the new Speaker, regards it as a prelude to more sweeping reforms that will take years, rather than months, to devise and implement. Although no decisions have yet been taken on longer-term tax goals, the notion of exempting all savings from taxation appears to be gaining support - and not just among Republicans. There is, for example, the "USA" (Unlimited Savings Account) plan jointly advocated by Pete Domenici, the incoming Republican chairman of the Senate budget committee, and Sam Nunn, one of the most respected conservative Democrats

The idea of replacing ordinary income taxes with a levy on "con-

ight the US become the sumed income" has been popular first nation to base tax-among academics since the late 1970s when a committee of experts spend rather than on led by Professor James Meade proposed this retorm in the UK. Un tunately, the concept is often misunderstood. Non-experts assume there are only two alternatives: direct taxes on income where the rate structure can be adjusted to ensure that high earners pay a larger fraction of income in tax; and indirect taxes on consumption such as sales taxes that are "regressive" because they are levied at the same rate on everybody.

The Meade-type reform favoured by Nunn and Domenici transcends these categories. In essence, the tax base for individuals would be ordinary income plus net cash flow from financial transactions; borrowings or asset realisations would thus increase your tax liability, while purchases of equities or bonds would reduce it. It would be equivalent to a direct tax on income with an exemption for all forms of saving, since it would be paid by individuals, it could be levied at higher rates on the well-to-do. Businesses would also pay taxes based on cash flows: the corporate base would be sales revenues minus the cost of inputs purchased from other companies, such as plant, equip-



AMERICA

ment and inventories Why is so profound a tax reform even remotely feasible? In the first place, the new Republican Congress seems more open to radical ideas than any in recent memory. If a consumed-income tax ever received a fair public hearing, the battle would be half won. There is also acute concern over the complexity of the present tax code, especially for businesses. Much of the complexity is caused by attempts to measure the economic return on assets, which is what economists mean by income. By basing taxes on cash flows, the Nunn-Domenici plan avoids most of these difficulties: there is no need, for example. to make allowances for either depreciation or inflation.

The more fundamental reason would be set to ensure that there why the reform could attract bipartisan support is the growing con-cern about the chronically low US budget deficit in order to increase investment and productivity growth in the longer term, the White House can hardly oppose a measure that would produce similar benefits by stimulating private savings.

There is also a potent social argument for eliminating the double tax-ation of saving inherent in conventional income taxes, where the income from savings accumulated from taxed earnings is itself taxed. Since Republicans hope to trim the public safety net, individuals need to save more to guarantee their own economic security.

Some economists argue that exempting savings from taxation would do little to boost savings rates: the increased incentive to postpone consumption would be offset by an "income" effect - people would feel wealthier as a result of the reform and so less inclined to save. Rudy Penner, a former director of the Congressional Budget Office and one of the authors of the Nunn-Domenici plan, believes such pessimism is unjustified. In aggregate people would not feel wealthier because the new rate schedule was no loss of federal revenue. despite the exemption for saving. He points out that, at every

heavily while others save almost nothing. The new tax regime would penalise the profligate and reward the prudent. Once Americans adjusted to the new fiscal climate and grasped that one of the principal determinants of their tax bill would be the level of their saving, behaviour would surely change.

Perhaps the strongest objection is the alleged difficulty of the transition. Owners of financial assets have accumulated them out of taxed income. If they were taxed when they consumed these assets, they would face double taxation. This is a genuine problem but the same argument could be made (but never is) against the introduction or extension of a value-added tax.

In any case it applies with force only to a small minority of affluent individuals: most Americans have few assets besides their houses and occupational pensions. There is no reason to feel too sorry for these wealthy losers. In the longer run they would benefit greatly from taxfree saving and from the enhanced dynamism of an economy liberated

OBSERVER

Greeks baring arms

■ France begins its presidency of the European Union with the abrupt discovery it's not the only country highly sensitive about the status of its language.

Alain Lamassoure, the French European affairs minister, recently triggered a thunderbolt from Mount Olympus by suggesting the number of EU working languages be reduced from nine - including Greek - to five: English, French, German, Italian and Spanish.

Greek diplomats, MEPs and intellectuals are now campaigning against any downgrading of the language of Homer, Plato and Papandreou. They expected better of France, whose president Valery Giscard d'Estaing made a speech in correct but curiously accented Greek when Greece joined the EC in 1980. Yannos Kranidiotis, deputy foreign minister, will take up the cudgel in Paris this week.

Yet surely the languages of the EU's smaller members must face a difficult time, as the Union expands? When it had 12 members and nine languages, up to 33 interpreters were required to cover a meeting; with Sweden and Finland joining the number rises to 110. The advent of Poland, Slovenia

or the Czech Republic could reduce proceedings to a modern tower of Babel. Anyone want a job as a Finnish-Slovenian interpreter?

Mural mourning ■ The Marquess of Bath says the

£5m Titian painting stolen from the state drawing room of his Longleat House held no sentimental value for him, although he is, understandably, grieving its loss. He appears far more at home with

the erotic murals - his own work adorning his private apartments. These have the advantage of being part of the masonry - and thus relatively thief-proof - and, since being included in the official tour. have proved popular among visitors to his 9,000 acre estate. But the Titian work - Rest on the Flight into Egypt - certainly leaves a gap. Perhaps time for the 62-year-old Marquess to get out his paints and brushes?

Counter offer

■ Fast-food manufacturers feeling the need to douse their gravy with some gravitas often turn to sponsoring academic research. Now US Mexican food company Taco Bell is spicing up its menu by seeking "a recognised scholar to fill



nothing left to abolish

the Taco Bell Chair in Real Estate Management" at the University of California. Send in your cv and three referees but please - no home-grown recipes for re-fried

Bonn voyage

■ After only 18 months, Peter Hartmann, Germany's ambassador in London, is returning to Bonn. where the former foreign policy adviser to Chancellor Kohl has

landed a plum job as one of the foreign ministry's two state

secretaries. A member of Kohl's Christian Democratic Union, Hartmann is returning to give the CDU a foothold in the foreign ministry, which for two decades has been the preserve of the liberal Free Democrat party, Kohl's junior coalition partner. Jürgen Oesterheld, a career diplomat and currently ambassador to Turkey, is taking over the London post. Hartmann has enjoyed enhanced status on the diplomatic circuit

thanks to his close relations with Kohl, though he has been rather less of a bon viveur than his predecessor, Hermann von Richthofen. One habit he's picked up - the seasoning of dinner party speeches with English-style jokes may have to go once he's back in the ever-sober Bonn.

Russian bet

■ Chechnya may be making Russia's economic prospects bleaker than ever but Thomas Blake. a 28-year-old defector from N.M. Rothschild, takes the long view. He has just passed the exam with fiving colours - to be a member of the St Petersburg Stock Exchange, possibly the first foreigner to join a Russian

stock exchange.

"Everyone else was going to Moscow, so I bet there might be a good niche in St Petersburg," he says. After four years with Rothschild he went into the import-export trade, got to know Vladimir Gorbunov, chairman of St Petersburg's stock exchange, and has never looked back. Gorbunov put him in touch with a good partner, Blake plans to repay him by introducing foreign investors to St Petersburg's infant stock exchange.

There are only 20 shares listed at the moment but Blake is bullish: "My time frame is not one year but five to 10 years. By then Russia could be comparable with the US stock market." With that sort of time frame no wonder he quit

God's law

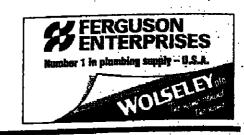
A biologist, an architect and an economist were arguing over God's early training. "He was a biologist," says the biologist, "otherwise how could He have created all living things?"

"But before that. He built heaven and earth, so must have been an architect," says the architect. The economist raises an eyebrow: Where do you think the chaos

came from in the first place?"

FINANCIAL TIMES

Monday January 9 1995



Rightwing group adds to pressure on PM

Japan coalition at risk as partner faces split

Japan's coalition government will be under pressure this week from the threatened break-up of the Social Democratic party, sec-ond-largest member of the threepartner alliance and headed by Mr Tomiichi Murayama, the prime minister

A defection attempt led by members of the SDP's right wing weakens Mr Murayama's authority on the eye of his departure for Washington for a summit with President Bill Clinton on Wednes-

Fortunately for Mr Murayama. there are no urgent trade disputes for resolution at the summit, which is focused on improving ties during the 50th anniversary this year of the end of the second world war.

Four leading members of the SDP, formerly the Japan Socialist party, spent the weekend seeking support for the formation of a centre-right group, intended to be the nucleus of what they hope will become the third-largest

By John Barham in Ankara

Mrs Tansu Çiller, the Turkish

prime minister, has promised to remove a constitutional clause

used to control the media and

political opponents, after growing international criticism.

Mrs Ciller said she would seek

to remove article 14 of the Turk-

ish constitution, which prohibits any activity threatening the

"Indivisible integrity of the state"

or "endangering the Turkish

In December, a security court sentenced eight Kurdish MPs to

15 years in jail for advocating

separatism and violating Tur-

key's strict anti-terrorism laws.

The verdict provoked widespread

international criticism, and was

an important cause of Turkey's

failure to reach agreement on a

On the eve of the EU meeting,

Mrs Ciller offered to bring Turk-

ish legislation into line with the

European Human Rights Conven-

tion. Although Turkey is a signa-

tory, its laws violate the conven-

tion's provisions guaranteeing

Officials hope her latest pro-posal, part of a package of wider

political reforms, such as lower-

ing the voting age from 21 to 18,

will defuse European opposition

to customs union. A new meeting

on union is expected to be held in

The constitution was written

by generals who seized power in

a military coup in 1980. The coali-

tion government planned to introduced a political liberalisa-

pean Union last month.

freedom of expression

Brussels in March.

. With the

state and republic".

ment for the time being, but stand against government parties in local elections in April and an upper house poll in July.

The group, provisionally named the New Democratic League, will hold its first meeting today. Its leader, Mr Sadao Yamahana, former SDP chairman, plans to register as a parliamentary group - precursor of a party proper - before the next parliamentary session on January 20.

Political analysts believe Mr Yamahana, who is supported by Mr Wataru Kubo, the SDP's second-in-command, may take between 10 and 40 defectors with him, depending on the success of his lobbying over the next week. The break-up of the SDP has

been widely expected, as a consequence of discarding nearly all its old policies to enable it to share power with its old conservative enemy, the Liberal Democratic party, after ousting the previous coalition government

This is the latest stage in the

Ciller pledges to relax laws

on freedom of expression

possible political line-up, after last

month's formation of the New

Frontier party from the merger of

nine small groups of mainly for-mer LDP politicians.

suade Mr Yamahana to delay.

elections. This was the last

chance to set up a three-party structure - LDP, NFP and the

The LDP moved swiftly at the

weekend to try to patch together the coalition by offering an elec-

toral pact with alliance partners

in 30 districts in lower-house

elections, a useful offer consider-

ing the power and wealth of its

Mr Yoshiro Mori, the LDP's

number two, criticised the break-

away plan and reminded would-be SDP defectors that Mr

Murayama was still their boss.

new group - he argued.

local support groups.

Sir Colin Marshall, chairman of However, the SDP break-up attempt has come earlier than many expected, in spite of efforts by the SDP leadership to perover the "dirty tricks" affair. One of his supporters said the split was needed now to give the group time to prepare for local still engaging in "anti-competi-tive behaviour".

Virgin said it received signed affidavits over the past few weeks from passengers who said they had been approached by BA staff trying to persuade them to switch flights to BA.

day's ruling as it was "far too But, asked if he would rule out

sengers from within the last few weeks, and anti-competitive activities [by BA] have gone on throughout this period. We will be fighting the antitrust case on

details.

nonopoly power.

BA's Heathrow plea, Page 5

with Virgin

British Airways, has hinted that an out-of-court settlement may still be possible with Mr Richard Branson's Virgin Atlantic airline His comments came as Virgin Atlantic charged that BA was

Sir Colin, speaking publicly for the first time since a US court gave Virgin the go-ahead last week to bring a near-\$1bn anti-trust case against BA, said he was "disappointed" that the judge had dismissed only five of Virgin's claims, allowing the

However, he suggested both sides might baulk at the high costs of a US legal case.

"We are clearly considering our position in respect of the three [claims] that remain and recognising that it is probably going to take two years before the case comes to trial and recognising that the costs have to be borne by the individual parties, irrespective of the result." said Sir Colin. "I think the other side may be thinking about that one,

Sir Colin repeated his view that there was "no case to answer" and that Virgin would not succeed with its action.

He said there had been no contact with Virgin since last Tues-

an out-of-court settlement, Sir Colin responded: "You can never

naded to drop its action, which alleges that BA has used its nonopoly power at London's Heathrow and Gatwick airports to try to squeeze Virgin off

Mr Branson's airline claimed sisting with its efforts.

Mr Branson said he was "depressed but not entirely surprised" that the activities were

He said he was under legal advice not to discuss further

BA chief hints at settlement

central three to stand.

rule anything out."

Virgin is unlikely to be per-

transatlantic routes.

"We have affidavits from pas-

Virgin has claimed damages of \$325m against BA, but US courts have the power to treble that under legislation on abuse of

THE LEX COLUMN The Detroit Blues

manufacturers were celebrating at their annual bash in Detroit last week Vehicle sales in the US last year topped 15m; all three of the big groups are benefiting from a slew of new mod-els and profits - for Ford and Chrysler at least - are at record levels.

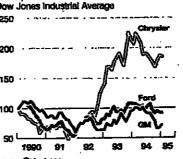
But is this all just another example of auto industry hubris, 1990s-style? The stock market seems to think so. Auto stocks are trading on 1994 price-earnings multiples little more than a third of the market average. Before their recent bounce, GM's shares had tumbled 45 per cent from the high hit before last February's

turn in US interest rates. With low interest rates fuelling iomestic demand and a high yen keeping the Japanese competition at bay, it would have been hard for Detroit not to have staged some sort of a commer cial comeback. But with more rate rises to come, demand growth is likely to slow. Moreover, the Japanese are clinging stubbornly to their 23 per cent share of the US market, the yen

notwithstanding. Nevertheless, assuming a further 20 per cent advance in profits this year, a prospective price-earnings ratio of about four for both Ford and Chrysler looks low. Both companies demonstrated last year they could make good new vehicles more efficiently than ever. And with the experience of the last downturn still fresh in their minds - and, in Chrysler's case, a big shareholder breathing down its neck – it seems likely they will be more careful than in the past with their growing cash mountain

The biggest doubts hang over GM. While it can make money in financial services or computer systems, the world's biggest automotive manufac-turer is yet to show it can make money from cars and trucks. The new management may be brushing up its act, but nearly four years into a recovery is surely too late to be going through the sort of "teething problems" GM has experienced.

One more good year in the US car market would at least leave the health of GM's balance sheet largely restored. And, provided the transfer of EDS shares to its pension fund receives approval, the company could also end 1995 without a pension deficit - an almost unimaginable position only two years ago. If vehicle sales continue to rise through 1996, GM's investors could then benefit from the sort of surging cash flow that has made holding Chrysler shares a worthwhile Dow Jones Industrial Average



experience. But don't count on the Fed not to ruin the party.

Japanese markets

The Nikkei finished the first week of 1995 with a sigh. The close, at around 19,500, was just below the mid-point of 1994's unusually narrow range of between 18,600 and 21,500. There is little reason to believe it will escape this band for at least six months. At this level the market is valued at 76 times prospective earnings, which even by Japanese standards is asking a lot of the corporate profits recovery

Other measures of value more applicable to Japanese companies, such as cash flow or sales multiples, have barely moved during the past year because of a decline in corporate capital investment and stagnant company turnover. Rising real interest rates are another damper; while the yield on long-term Japanese government bonds has risen from 3 per cent to 4.7 per cent over the past year, that on equities has remained at 0.7 per cent. With few signs that the Tokyo mar-

ket can break out upwards, what are the chances that instead it will fall through the bottom of the range? The biggest risks are a share-price collapse in Wall Street or a heavy sell-off by foreign investors in Tokyo. Japanese equities are one of the few important asset classes where US and European investors are sitting on a capital profit, 20 per cent in dollar terms over the past year, more than half of which is currency gain. The dangers of a fall will be at their greatest in the autumn. By then it should be clear how sustainable the economic recoverv will be.

Companies will also start to indicate the extent to which this year's earnings improvement can continue in

investors might be tempted to realise their gains. Given today's high multiples, the earnings recovery will have to be strong if the market is to avoid turbulence late in 1995. MAKETS

Corporate disclosure

The principle of not fixing some thing that already works is a sound one. But something clearly needs to be done about the Stock Exchange rules on the disclosure of price-sensitive information. Details about recent takeovers, most notably De La Rue's bid for Portals, were known in parts of the market well before the companies revealed their intentions. That much was clear from the exceptionally high volumes traded prior to the eventual

For price-sensitive information to leak into the market is clearly unsatisfactory; all investors should have access to relevant information simultaneously. The problem is not new, but the increasing numbers of advis-ers involved in such deals may result in leaks becoming more common. In any case, the Stock Exchange's monitoring techniques mean such advantaged trading is picked up much more

quickly.

The Stock Exchange is determined to introduce new rules designed to maintain orderly markets. It appears to have shelved proposals to reverse trades benefiting from sensitive information or to publish details of transactions. Reversing deals would be fraught with legal difficulties and would undermine the market's integrity. Publishing transactions would be

expensive and bureaucratic.
The most significant measure to be implemented will probably be the exchange's ability to implement a trading halt of not more than 24 hours when unusually high volumes precede a price-sensitive announcement Although this appears to undermine the principle of continuous trading, the exchange believes the rule will seldom need to be invoked before comnanies begin to reveal such informs

tion voluntarily. The measure is not without danger there is a risk the interests of share holders could be damaged rather than helped if good deals are not concluded because of premature announcement Much will depend on how the proposals are implemented. At best, they should be viewed as experiments. If they prove unwieldy, the exchange should go back to the drawing board.

Europe today

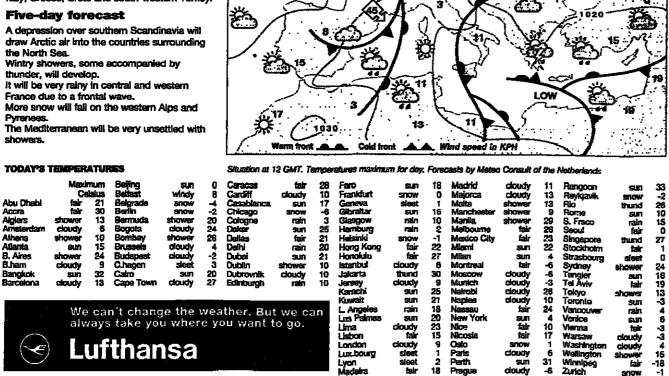
A decression will move east over the Shetland Islands reaching southern Norway in the evening. Rain will fall in Scotland, Northern Ireland and northern England. During the evening, the rain will spread over the Netherlands, northern Germany, Denmark and southern parts of Norway and Sweden. Gale force winds are expected in Scotland, the Low Countries, Denmark and northern Germany during the evening and night. Most of France will have a relatively calm day,

however, snow will fall in the Pyrenees and western parts of the Alps. Showers will develop in the central Mediterranean, affecting southern Italy, Greece, Crete and south-western Turkey.

Wintry showers, some accompanied by thunder, will develop. It will be very rainy in central and we

More snow will fall on the western Aips and The Mediterranean will be very unsettled with

Lufthansa



Tansu Ciller: proposal is part of a package of wider political reforms

FT WEATHER GUIDE

from an anti-terrorism court, yes

terday seized editions of Ozgür

Ulke, a pro-Kurdish Turkish-lan-

guage daily newspaper. The court

ruled that four articles in Satur-

day's edition and an editorial yes-

terday contravened strict laws

against advocating separatism.

Ozgur Ulke appeared in other

parts of the country because the

court decision covered only

Kurdish hopes founder on warlords' rivalry, Page 4

papers printed in Istanbul.

tion package in 1991, but has

Mrs Ciller called in March for the eight Kurdish MPs to have

their parliamentary immunity lifted, allowing them to be prose-

cuted. The government had also

ordered an escalation of the secu-

rity forces' war against the sepa-

ratist Kurdistan Workers party in

Despite Mrs Ciller's proposals,

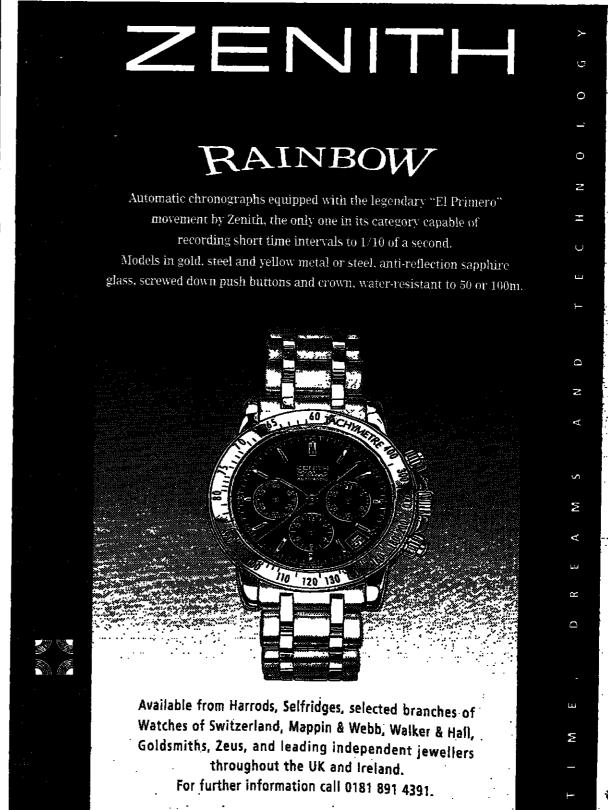
sign of easing its harsh press con-

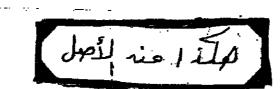
trols. Istanbul police, on orders

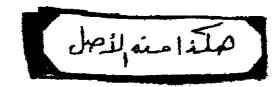
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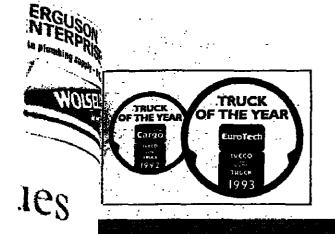
introduced few changes

south-eastern Turkey.









FINANCIAL TIMES COMPANIES & MARKETS

Monday January 9 1995

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BRONWEN MADDOX: GLOBAL INVESTOR It is not just the US pharmaceutical and healthcare industry which is relieved at the Republican capture of Congress. For many of the world's largest insurers, Republican proposals to slim down environmental and healthcare

egislation would remove some of the greatest threats to their profitability. Page 16



MARTIN WOLF: ECONOMIC EYE The UK's stock of human capital is worth twice as much as the total measured net wealth of the personal sector. This makes policy for the family not just the heart of social policy, but also the most important of all economic policies. Unfortunately, family policy is a mess.

Ask three economists a 'yes' or 'no' question and one is likely to get three different answers. Yet there is agreement on one point as economists look ahead to what might happen to US bonds this year. It has to be batter than 1994.

New York - Wall Street trade is dominated by familiar worries about interest rate rises. London - Trading volumes are only slowly beginning to recover to more normal levels and movement still lacks conviction. Page 14

EMERGING MARKETS: After the Mexican debacle, many investors are wondering whether Argentina will be the next Latin

American economy to unravel. Page 17

The dollar will provide the focus for the year's first full week of trading after last week's strong US non-farm payroll report. Page 17

COMMODITIES: Cocoa traders will be hoping that Germany's fourth

quarter 1994 cocoa grinding figure, will be high enough to sustain the rally that carried prices in London above £1,000 a tonne last week. Page 16

The UK government will tomorrow launch a wide ranging marketing campaign for the sale of its remaining 40 per cent stakes in National Power and PowerGen, the two UK electricity generators.

INTERNATIONAL COMPANIES:

Legal objections raised by Portugal's securities and exchange commission (CMVM) have cast doubt over the planned sale by Banco Español de Crédito (Banesto), the Spanish bank, of its 50 per cent holding in Banco Totta e Acores, Portugal's third largest bank, for Es153bn (\$944.3m). Page 15

STATISTICS

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London share service . 26,27 Managed funds 24,25 New int bond Issues _

By Michael Smith and Chris Tighe in London

Trafalgar House will publish its formal offer document for Northern Electric this week - probably today - amid expectations that the government will refer the £1.2bn (\$1.8bn) bid to the Monop-

olies and Mergers Commission.

Although Prof Stephen Littlechild, power industry regulator, is thought likely to oppose a referral industry executives and analysts believe the political sensitivity of the bid will persuade ministers to set aside his advice. Separately Trafalgar will today formally requisition an extraordinary general meeting of North-

The dollar is acquiring a

reputation in currency

markets as the dog that

Pundits have spent much of

the past two years predicting a

dollar rally. For the most part,

they have been disappointed.

Indeed, an overwhelming number

of investors found themselves

caught out by the dollar in 1994.

Soros, the hedge fund manager,

who admitted losing around

\$600m on St Valentine's Day

when a bet on the dollar against

The optimists, however, are at

it again. Sentiment towards the

US currency is clearly more bull-

ish than a few months back, a

fact underlined by the currency's

Among analysts, the mean

forecast for the value of the cur-

rency next December is DM1.61

and Y104.5, according to London-

based Consensus Economics.

That compares to the levels of

DM1.5575 and Y101.295 at which

the dollar was trading in New

favour of a rising dollar have a

ring of déjà vu. A year ago, the mean forecast for the dollar in

December 1994 was DM1.78 and

Y112.5, with analysts citing stron-

ger US growth and rising interest

But the dollar peaked at DM1.7673 and Y113.58 by early

February and investors then had

to suffer as it fell by around 15

per cent to lows of DM1.4862 and Y96.05 by early November. Since

York on Friday night.

rates to lift the dollar.

modest rally since November.

the yen went wrong.

Most prominent was Mr George

doesn't bark.

ern's shareholders when it will ask them to eliminate a Northern article of association limiting any investor to 15 per cent of shares.

Removing the restriction requires the support of 75 per cent of shareholders and is crucial to the outcome of the contested Trafalgar bid. Trafalgar has secured the support of the 10 per cent of shareholders necessary to call an egm.

sify pressure for a monopolies referral by questioning whether Trafalgar is fit to run a utility because of its complex ownership structure which Northern argues gives control to overseas-based

Plenty of predictions

4.8 per cent against the D-Mark

Several factors lie behind this

rally. First, Republican gains in

November's Congressional elec-

tions led markets to conclude

that the US Federal Reserve

would be free to pursue a tougher

monetary policy. Then in mid-No-

vember, the Fed tightened policy

more aggressively than many

had expected, raising US short

term interest rates by three quar-

Sentiment has also been helped

by Fed intervention to support

the dollar. One UK fund manager

says: "What has changed is that the Fed really does seem to have

a grip. The problem in 1994 was the Fed said it was moving pre-

emptively to combat inflation,

but it became increasingly clear

The dollar has also been helped

by a widening gap - both actual

and expected - in real (inflation-

adjusted) short term interest

rates in the US and Germany. In

the US, real short term rates rose

to 3 per cent, from 0.7 per cent,

between January and November

1994, while in Germany they rose

trade dispute with Japan.

passing its 1994 highs in 1995.

One of the most important rea-

sons for caution is the German

that it was behind the game."

ters of a percentage point.

and 5.5 per cent versus the yen.

quarter of Trafalgar's shares are owned by Hongkong Land.

Several of Northern's fellow regional electricity companies believe there are few grounds for a referral since it will not reduce competition in the sector, and have not responded to a consultation exercise by Prof Stephen

However executives at most regional electricity companies and city analysts believe the government will refer the bid on "public interest" grounds. Simi-lar views in the City caused

the same as those outlined in its bid announcement before Christmas. However it will have several appendices with one on innovative "contract for differences" between Trafalgar and Swiss Bank Corporation, its adviser, likely to attract most attention.

Trafalgar House is planning to offset a large part of the bidrelated expenses through the contract. In return for an undisclosed fee to Swiss Bank, Trafalgar will benefit from rises in the share price of Northern Electric and several other regional elec-tricity companies above reference

prices set a month ago. Swiss Bank is believed to be covering its position by buying

Dollar doldrums

Against the Yen (Yen per S)

other electricity shares. Last week it emerged that Swiss Bank bought 8.25 per cent of Yorkshire Electricity but it said this was built up through normal marketmaking procedures.

Mr Richard Caborn, the Labour MP who chairs the Commons industry select committee, is asking the government to ban share dealing in regional power companies pending an inquiry into

mergers and takeovers. He said: "I am particularly concerned that the type of share dealing and speculation that is happening in the electricity sector will have an adverse impact on electricity prices and continu-

'Prejudice' changes line-up in Czech telecom bid

By Nicholas Denton in London

Perceived prejudice against French and German companies has forced Deutsche Telekom and France Telecom to take back seats in the competition for a stake in the Czech company SPT Telecom.

Deutsche Telekom said that Ameritech, the US regional Bell company, would be "fronting" their consortium bidding for the 27 per cent of SPT due to be sold

early this year. France Telecom has also agreed a junior position in its partnership with US regional operator, Bell Atlantic, taking a 45 per cent stake in the consor-

tium to Bell's 55 per cent. Deutsche Telekom and France Telecom headed their respective partnerships when bidding for Matav, the Hungarian telephone company, in 1993. Their modesty in the Czech Republic is unusual Deutsche Telekom conceded the lead in the Czech deal because it detected concerns in Prague about selling companies

to a former occupying power. France Telecom has deferred to accommodate a prejudice against French state companies built up by Air France's failed investment in CSA, the Czech airline. Air France sold its 19.1 per cent stake in the troubled Czech carrier in March last year, just two years after announcing it as a

ong term investment. KPN of the Netherlands, and Stet of Italy are expected to make vigorous efforts and the purchase price may be pushed higher than \$1bn.

British Telecom is expected to give credibility to Teledenmark's bid by adding its name.

The intensity of interest owes
much to fortunate timing. The

Latin American telecom deals are largely completed and west European privatisations are generally taking the form of public offerings and Hungary's telealready been sold. SPT is one of only a few offerings open to industry investors.

The Czech government last week, added a fresh note of uncertainty by delaying the SPT tender for at least month. It was due to have been completed in March. The delay has raised fears that the Czech government may be having second thoughts about the style of the telecoms

Trafalgar may publish offer today

Northern will this week inten-

Littlechild which ends tomorrow.

power company share prices to fall last week.

The bid figures in Trafalgar's offer document will broadly be

but little dollar action When Germany starts to tighten monetary policy again in the first half of 1995, according to most analysts - the differential between US and German real

interest rates will start to close.

Rising US inflation which some

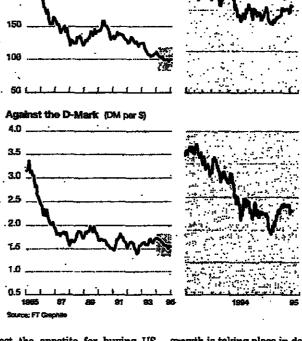
economists predict, would shrink

the gap further. Some analysts also argue that global trade and capital flows militate against a substantially stronger dollar. As the Montrealbased research group Bank Credit Analyst notes: "It is very hard to have a sustained currency rally when a country is simultaneously running a structural current account deficit and long-term capital is flowing out of the country. In the US, the deficit in the combined current and long-term capital accounts is running at a record annual rate of more than \$170bn."

Few analysts are predicting any quick improvement in the US's current account. On the capital account, US pension funds are likely to expand their holdings of non-dollar assets in the long term, in search of both risk diversification and profits.

Investors are also encouraged of 1994, the portfolio outthat the Clinton administration Lilow from the US of no longer appears to have a pol-\$37.9bn into foreign equities and icy of talking down the dollar as bonds was almost matched by a a weapon in the long-running \$36.3bn inflow. And the rate of overseas purchases may slow But even among dollar bulls, even further in 1995 following the optimism is tempered by warirecent losses sustained by invesness. Very few see the dollar surtors in Mexico.

An imponderable is the behaviour of Japanese investors, who have suffered because of the yen's rise. Some say they have



lost the appetite for buying US assets, particularly bonds. Should port the dollar. A long term structural problem

is the apparent diminution of the dollar's role as the world's leading reserve currency. According to the BCA, the dollar now accounts for 60 per cent of central bank foreign reserves, compared with 80 per cent in 1976.

Recent research from Swiss Bank Corporation suggests the trend may continue. This is because the bulk of reserve

growth is taking place in developing (mostly Asian) countries and the pattern of their trade sugthe yen as a reserve currency. The upshot could be significant dollar sales in the years ahead.

So while the dollar could make headway in 1995, its progress may not be dramatic. Mr Karsten Schiebler, managing director of Capital Markets Advisor, a hedge fund manager, says that last year so many people lost so much that everything will be far more conservative in 1995. "The tone of the music has changed."

This week: Company news

CREDITO ROMAGNOLO a alysts back ikelihood of **Cariplo victory**

The 13,291hm (\$2hm) counterhid for 70 per about of Credito Romagnolo (Rolo), ogna-based bank, opens on lay. The bid by a consortium Cariplo, the unquoted Italian is bank, is 18 per cent higher than ious offer for 65 per cent from h Italiano, the recently privatised ased bank. dding shares already owned, b will control some 52 per cent of

Tits bid is successful. Its allies he privatised banking group, di Risparmio in Bologna, another ank, and the insurance company in the bank's shares. Rolo's directors met again last week

o discuss the detail of the consortium bid and maintained their generally Acoming attitude to Cariplo and its artners. The rival bids, both of which will

close on February 3, offer strong antees of Rolo's autonomy and local identity. But in the end analysts helieve shareholders are likely to pick more valuable offer: the Cariplo sensorium is prepared to pay L21,50 sortium is prepared to pay L21,500 a re, against L20,000 from Credit. ist week's stock market movement licated that investors were not expecting Credit to return with a higher r, which would almost certainly ive to be launched with the help of les. The Milan bank's shares rose drongly all week, on the probability th Credit would withdraw from the y and wait for other less expensive quisition opportunities in the mented Italian banking sector. Cariplo succeeds in bringing Rolo der its wing it will add a further 350

anches to its national banking

twork, which already runs to some

1,400 branches, if alliances with local savings banks are included. Cariplo and

Credit are both among the top 10 Italian

banks, but are still comparatively small

Credito Romagnolo Share price (Lire) 20:000 --18,000 -16:000 14,000 12.000 ~ 10,000

UK RETAILERS Christmas upturn hope after sluggish autumn

A string of retailers' results and trading statements this week is expected to provide further evidence of a solid if mexciting Christmas for stores groups. Next and Boots both reported good figures last week, which, coupled with figures from other sources such as department store group John Lewis Partnership, suggest a late surge in sales following a sluggish autumn.

Dixons, the UK's biggest electrical retailer, reports interim results on Wednesday and, after a poor Christmas in 1993, is thought to have ridden out a difficult electricals market to produce a better performance this year. Pre-tax profits are expected to be about 25m-226m (\$39m-\$40.6m) up from £17.3m last year before £214m exceptional costs relating to the sale of Silo in the US.

Sears, the retail group comprising Selfridges department store, Freemans mail order, and high street chains such as Dolcis and Wallis, makes a trading statement on Thursday. While Selfridges is thought to have had a good Christmas, the high street chains are thought to have suffered from exceptionally warm autumn weather which damaged sales of winter

clothing. Friday sees trading statements from Storehouse and Argos. Body Shop, the natural cosmetics retailer, is also expected to make a statement this week, reporting robust Christmas sales.

OTHER COMPANIES Lonrho anxious to prove its worth

interest rate cycle.

Lonrho, the UK based industrial conglomerate, is expected to report on Thursday a jump in profits before exceptional items from about \$76m to £110m (\$171.6m). The results will be more detailed than ever before, in an obvious attempt by the restructured board to convince the market it has for too long ignored Lonrho's underlying value. The figures should show substantially better performances from several divisions, including hotels. motors and mining. But investors will be anxious to get some clarification of Mr Dieter Bock's plans for the future now that he has won control of the company from Mr Tiny Rowland.

■ J.P. Morgan: The bank will kick off the year-end reporting season for big US banks on Thursday with earnings which are expected to be as much as a quarter below those in 1993. Morgan issued a warning about its trading profits in the final three months, even before the crisis in Mexico's financial markets. Full-year earnings per share are likely to come in at around \$6, down from \$7.80 the year before. Bankers Trust, another bank whose profits are tied closely to the financial markets, is expected to show earnings of around \$7.75 a share when it reports next week. compared with \$11.41 in 1993.

■ TSB Group: Full-year pre-tax profits for the UK's sixth largest bank on Thursday are forecast to range from

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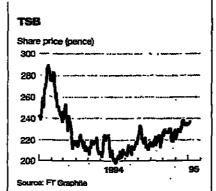
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AGF

Carlolo

Banco Tottae Acores

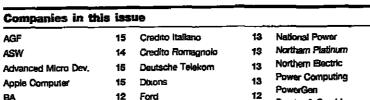
Cassidy Brother



£460m to £515m (\$803m), with most clustering around £490m-£500m. compared with pre-tax profits of £301m for 1993. The dividend should rise to between 8.6p and 9.1p (up from 7.68p).

■ Rank Organisation: The UK group is expected on Thursday to report pre-tax profits before exceptionals of about £360m (\$561.6m) for the year to the end of October, up from a previous £277m. Analysts uprated forecasts last October after the group said there had been a healthy rise in UK and US leisure spending. Both Rank Xerox and the video duplication business are expected to make good contributions.

Securicor: The UK communications. security and parcels business is expected to announce pre-tax profits of £81m (\$126.4m), up from £63m, on Thursday. Some two thirds of that rise is likely to come from Callnet, the mobile phone network in which it has a 40 per cent stake.



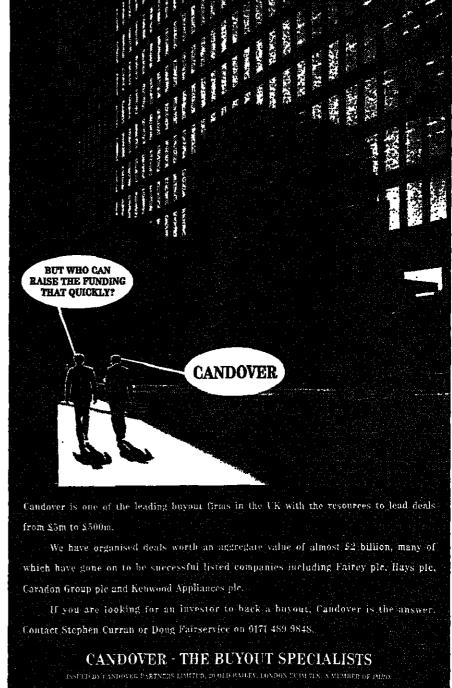
France Telecon

13 Halifax BS

12 Lonnto

Hambros

15 18 15 14 Procter & Gamble 14 13 Redius 12 SPT Telecom 13 Saatchi & Saatch 14 Trafalgar House



by international standards.

1975 - 19

want free .

JEME !

n extraordinary meet- it will have a stronger strategic

base and more clout in Europe, says Sir Alan.

He believes ASW is now

delivering something it has

been talking about for some

years. "We have spent a lot of time and effort looking at our

position in the European con-

text," he says. "We've said we

had a problem with margins,

and one way to achieve stabil-ity was likely to be regroup-

ings across Europe that would

produce more sensible, com-

In taking over SAM, ASW

was looking to fulfil three cri-

teria. First, it was aiming for a

more stable industrial struc-

ture, with less fragmentat-

Second, ASW was looking for

ways of adding value, by using

products in special designs and

construction systems rather

than simply selling them as commodities. Third, it wanted

manufacturing that was not

only efficient but in the right

place for reducing distribution

costs. For a UK company, this

suggested a northern European

SAM fitted the bill. It will

lifts ASW's share of the Euro-

pean recoil market from about

4 to 20 per cent. Half the recoil

produced by SAM's two main

plants at Montereau near Paris

and at Neuves-Maisons in Lor-

raine is turned into mesh at its

downstream plants in France,

Germany, the Netherlands and

Belgium, which will keep ASW

mercial. decision-taking."

A ing of shareholders in ASW Holdings will

today consider a package of proposals that will take the

Cardiff-based group into the big league in Europe's £5bn

market for steel reinforcing

The meeting comes four

weeks after ASW said it

planned to pay \$51m for 80 per cent of Société Des Aciers

D'Armature Pour Le Béton, the

steel mesh and reinforcement

coil (recoil) unit of France's

ASW is also swapping its

Scunthorpe Rod Mill business for British Steel's fully diluted

35.2 per cent stake in the

Welsh group, and raising about

£29m through a 7-for-20 rights issue at 160p. For good measure, ASW is also spending

£17m to upgrade and expand

With some understatement.

Sir Alan Cox, chief executive,

says that "trying to bring all

these things together at the same time was interesting".

215p when the package was

announced, and have remained

there since. Because the shares

held by British Steel are being

cancelled, the total number

outstanding, on a fully diluted

basis, will fall slightly even

after the rights and the issue of

10m new shares - about 12 per

cent - to Usinor. Yet annual

turnover will rise by about

£200m to £620m. On top of that

hit by rising raw

Cassidy Bros

ASW's shares rose 20p to

its Cardiff Rod Mill.

Usinor Sacilor.

Campaign starting for generators' share sale

The government will tomorrow launch a wide ranging marketing campaign for the sale of its remaining 40 per cent stakes in National Power and PowerGen, the two UK electricity genera-

The sale, expected to be the largest in Europe this year, is planned for next month and is expected to raise about £4bn in three tranches for the Treasury. A pathfinder prospectus is to be published at the end of

Private investors are to be the main target of the press and television campaign and

will be offered to small investors at discount prices, "Share shops" - high street banks, building societies, regional stock brokers and other financial intermediaries - will be the main source of information for the public. Private buyers can start registering their interest in the offer from tomorrow. Small UK investors

The government has indicated it could scale back the 40 per cent on offer to institutions in the event of greater than anticipated demand from the

will be offered only a package

of both shares.

panies in a separate interna-tional offer with the price determined through a "book building" plan. Both PowerGen and National Power are to buy back the remaining 20 per

Kleinwort Benson and Bar clays de Zoete Wedd are advising the government on the sale and the publicity campaign has been devised by WCRS, the advertising agency, with the government said to have set ide about £8m to advertise

the issue. The government sold 60 per cent stakes in each of the two

Halifax's financial services sales force back in action

The financial services sales force at Halifax Building Society, one of the UK's largest personal finance organisations, will return to selling today, as the society's life insurance and unit trust subsidiaries open for

The 600-strong sales force was withdrawn two months ago for re-testing, after failures to meet regulators' standards on supervising interviews with clients were discovered.

Until its decision to launch its own operations, Halifax had been linked with Standard Life, the UK's largest mutual life insurer, selling only Standard life and investment prod-

Its entry into the market in to reduce the need for cutting

Saatchi & Saatchi, the

advertising group, yesterday denied a report that it had

been delivered an ultimatum

by Procter & Gamble, the US

consumer products group

which is responsible for 6 per

cent of Saatchi's revenues,

told Saatchi it would withdraw

writes Geoff Dver.

and strong distribution should increase competition at a time when life companies are already under pressure from changes, such as the new rules insisting that customers have more information about how much sales advice costs.

The new operations are also expected to play a critical role in the proposed merger between Halifax and Leeds Permanent, the UK's fifth largest society. Halifax plans to take over the Leeds later this year, and the most likely prospect is that the financial services operations will be brought together and based at Leeds Permanent's headquarters.

The scope for expanding financial services is intended

Mithun Esty, Saatchi's US sub-sidiary, did not give up an account for Dow Chemicals'

household products division, a

Saatchi said: "That account

[P&G] is not up for review.

Procter & Gamble has made us

aware that it is worried about

possible conflicts of interest.

But they will give us time to

Saatchi denies P&G ultimatum

competitor of P&G.

that turning some branches into financial advice centres should obviate the need for substantial closures in a combined network.

However, splitting financial advice from ordinary transactions appears to sit slightly uneasily with Halifax's emphasis on the financial services businesses, not as a way of selling policles, but as part of deepening its relationship with its customers.

From today, Halifax is also to introduce a new system of checking the financial advice it gives. After an initial discussion with a customer, any recommendation a sales agent plans to make will be checked at a central unit before the sec-

There has been intense spec-

ulation since Mr Maurice Saat-

chi resigned as chairman on

December 16 that clients close

to him would withdraw busi-

ness from the group. So far only Mars, the US con-

fectionery and pet foods group,

has announced a review of its

group's clients."

state and with the Institute in 1981 and 1982 respectively. The Norwegian parties reopened the case in 1989, claiming Hambros had known that Reksten had secretly sent that is satisfactory to all the a fortune overseas in order to avoid Norwegian taxes. Reksten's trustees settled with

> The Institute instigated negotiations with the bank in December. Mr Perrin said: The extent of the Norwegian authorities' knowledge [about Reksten's finances] became clear during the preparation for the appeal."

Hambros ends dispute with £28m pay-out

By Geoff Dyer

Hambros, the merchant bank and financial services group. is to pay £28m in an out-ofcourt settlement with the Norwegian Guarantee Institute, ending a 15 year dispute over the collapse of the late Hilmar Reksten's shipping empire.

The Institute has said it will not appeal against a February 1993 judgment by the Oslo City Court, in favour of Hambros, on a £200m claim against the bank. Appeal proceedings were due to start on Tuesday.

Mr Charles Perrin, deputy chairman of Hambros Bank. said: "As far as we are concerned, this is the end of the saga completely." Hambros said the settlement, which net of tax relief is expected to be about £18.5m, would be covered by an existing provision for contingencies, which stood at £41.1m on March 31. This year's profits will therefore not be affected.

The bank said it did not admit liability for the claim, which it considered "ill-founded". It agreed to the settlement "to avoid further drawnout legal action, substantial irrevocable costs and demands on management time".

The claim arises from loans Hambros made to Reksten in the 1960s and 1970s. The Institute was set up in 1976, after the first oil shock and the collapse of the tanker market, to guarantee loans to Norwegian shipping companies.

After Reksten died in 1980

material costs Hambros reached a "comprehensive settlement agreement" Interim pre-tax profits at with the trustees to Reksten's Cassidy Brothers, the USMtraded toys and nursery products group, slipped 4 per cent to £520,039, compared with £541,368 last time.

Mr Thomas Cassidy, chairman, expressed disappointment at the outcome, blaming a "severe" rise in the cost of raw materials of up to 53 per Hambros in July 1993. Turnover for the half-year to

NOTICE

to the holders of those of the

U.S. \$200,000.000 6/s per cent. Notes Due 1999

presently outstanding

(the "Notes")

formerly of

INVESTOR AB

("Investor")

but now of

AB INVESTOR GROUP FINANCE

("IGF")

constituted by a Trust Deed (the "Trust Deed") dated 27th January, 1994

and made between Investor and The Law Debenture Trust Corporation p.l.e.

NOTICE IS HEREBY GIVEN TO THE HOLDERS OF THE NOTES THAT:

Investor has requested the Triblee to exercise its powers under the Terms and

place of Investor of R.F. as the principal debtor in respect of the Notes and the interest coupons appearaming thereto and under the Trust Deed on the basis

holders of the Notes, has engioured in the implementation of such

(iii) such substitution has been implemented by, and such guarantee has been given in, the First Supplemental Trust Devi dated 29th December, 1994 made between investor, IGF and the Trustre.

The Notes remain listed on the Luxembourg Stock Fachange but, with effect on

and from 29th December, 1994, as securities of ICF, under the denomination of the Cuarantor followed by the demanmation of ICF. The definitive Notes and relative interest coupons now in usue will remain valid, but as obligations of KF, and accordingly will not be called in for replacement.

Copies of the Trust Devel and the First Supplemental Trust Deed referred to in (iii)

above and the Terms and Conditions of the Notes as modified to reflect the

substitution of ICF in place of Investor as principal debute and the guarantee of Investor are available for inspection and, in the case only of such modified Terms

Dated: 9th January, 1995 AB INVESTOR CROUP FINANCE

and Constitues, editoriou at the question office of each of the Paying Agents

JPMorgan | baued by: INVESTOR AB and

tion and has accepted back guarantee, in each case with effect on and

that Investor would guarantee the obligations of KF thereby incurred: (ii) the Trustee, being of the opinion that such substitution and guarantee referred to in (i) above are not neutrially prejudicial to the interests of the

(the "Trustee") as trustee for the holders of the Notes.

October 31 was 8 per cent ahead at £4.36m, against £4.02m Rarnings per share came out at 6.52p (6.95p), with the

interim dividend unchanged at Leprino Foods (US) OREL

Golden Vale (Ireland)/

Weekly Petroleum Argus

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PUBLIC NOTICES

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUB-SECTIONS 8(5) AND 10(6) OF THE TELECOMMUNICATIONS ACT 1984

The Secretary of State hereby gives notice as follows.

1. He proposes to grant to Mercury Personal Communications Limited (referred to as "the Decusee") a licence under the Telecommunications Act 1984 ("the Act") to run telecommunication systems throughout the United Kingdom. The licence will be for a period of 25 years subject to earlier revocation in specified circumstances. The principal effect of the licence will be to enable the Licensee to install and run telecommunication systems

throughout the United Kingdom. The Licensee will be authorised to connect its systems to a wide range of other systems, including CSM and PCN systems outside the United Kingdom, and to provide any telecomm service apart from cable television services, telepoint services, and certain types of international services. The licence will be subject to conditions such that section 8 of the Act will apply to it, thereby making the

system run under the licence eligible for designation as a public telecommunication system under section 9 of the Act. It is the intention of the Secretary of State to designate the Licensee's system as a public f. The Secretary of State proposes to grant the licence in response to an application from the Licensee for such a

licence because he considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of 5. He proposes to apply the Telecommunications Code ("the Code") to the Licensee subject to certain exceptions

and conditions throughout the United Kingdom. The effect of these exceptions and conditions to the application of the Code is that the Licensee will have duties:

(a) to comply with the various safety and environmental conditions, in particular (with certain exceptions) to install lines underground or only on such above-ground apparatus as is already installed for any

(b) to comply with conditions designed to ensure efficiency and economy on the part of the Licensee, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of its apparatus;

(c) to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant electricity suppliers;

(d) to inspect its telecommunications apparatus to ensure that it would not cause harm to other persons or

(e) to keep and make available records of the location of underground apparatus and copies of the exceptions and conditions in the licence to its powers under the Code; and

(f) to ensure that sufficient funds are available to meet certain liabilities arising from the execution of street works. The reason why the Secretary of State proposes to apply the Code to the Licensee is that the Licensee will need 6. The reason way the secretary of state proposes to apply the code to the interisce is that the incensee will nee the statutory powers in the Code to keep installed and maintain the telecommunication systems required to be

kept installed and run under the licence. 7. The reasons why it is proposed that the Code as applied should have effect subject to the exceptions and conditions referred to above are that they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the system is

installed as safely and economically as possible, and that the Licensee can meet (and relevant persons can enforce) liabilities arising from the execution of works. 8. Representations or objections may be made in respect of the proposed licence, the application of the Code to the Licensee and the proposed exceptions and conditions referred to above. They should be made in writing by

Monday 6 February 1995 and addressed to the undersigned at the Department of Trade and Industry, Telecommunications Division, Room 2.86, 151 Buckingham Palace Road, London, SWIW 988. Copies of the proposed licence can be obtained free of charge by writing to the Department or by calling 071-215 1785.

Valeric Carpenter (Mrs) Department of Trade and Industry

its business if Campbell resolve the problem in a way VALEO'S SALES 1994:

Valeo's consolidated sales for 1994 totalled FF 23 billion, up by 13.7% over 1993 when sales reached FF 20.2 billion. Valeo's business activity accelerated in the second half of 1994, impulsed by the recovery in the European car market.

FF 23 BILLION

Valeo's original equipment sales, which accounted for 70% of overall sales, were up by 18%, while automotive output rose by 10% both in Europe and North America. This confirmed Valeo's sales performance with the leading vehicle manufacturers worldwide: + 15% with the four European volume automakers, + 39% with German speciality automakers, + 11% with the US Big Three, + 50 % with Japanese manufacturers and + 37% with Karean manufacturers.

As a continuation of this trend, 1995 has started with the car and truck markets in Europe, the USA and Asia exceptionally all moving upwards at the same time. Furthermore, new joint ventures and the setting up of new facilities in Europe, China, South Korea, North and South America last year, which contributed 1.5% to Valeo sales in 1994, will have their full impact on Valeo's growth in 1995.



INTERNATIONAL DEPOSITARY RECEIPTS REPRESENTING SHARES PAR VALUE VALUE \$ 2.50 COMMON STOCK J.P. MORGAN AND CO INCORPORATED

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Agent: Morgan Guaranty Trust Company **JPMorgan**

Poised for promotion to big league Andrew Baxter examines ASW's proposed expansion package concluded that further cost cuts can be made - on top of big changes already introduced by SAM's managers. But the more important question, says Sir Alan, was whether there was a culture at SAM that would look for continuous improvement. "I've had some frank discussions with SAM managers," he says, which convinces me that we can maintain the momen-

> Indeed he sees no reason why SAM cannot achieve similar increases in productivity to Sir Alan Cox: ASW will have the I3-14 per cent rises each year at ASW's Cardiff plant over the past 12 years. close to end-user markets. Overall, ASW's R&D costs

Working out the effects of the deals on ASW's profits is not easy, but the company has increased size and muscle. margins are rising because of market conditions and there are new annual cost savings of £19m - from SAM, the changes at Cardiff Rod Mill and previous investments at Cardiff Bar and Sections Mill. Together this more than offsets the rod business.

Analysts were in any case looking for a big rise in pre-tax profits this year to between £16m and £20m - compared with the company forecast of "not less than £4m" for 1994. Now, they are pencilling in as much as £25m for 1995, before a £2m exceptional charge, and see profits accelerating sharply in 1996.

Letter of

Intent stage

. - 1 744

BIDDER/INVESTOR COMMENT VALUE TARGET SECTOR SCA (Sweden) Pulp & Paper £491m Implications for sector GrandMet Nestlé (Switzerland) Pet Food Alpo (US) completes sale Partial Bain Acordia (US) Unit of Inchcape (UK) Insurance Hogg disposa Dy-Core Systems ourchase New World Domestic Appliances (UK) £12.5m MBO team appliances doubles money TV-Asia (UK) First globel Moa Beckett Publishers Cash deal Weir Group (UK) Control equipment buy Rio Algam (Canada) Metal Goods (US) Metals distribution Buy from Alcan

for mesh will be spread over a

bigger sales base, its distribu-

tion costs will be reduced and

purchasing power will be

ASW had a number of ways

of creating a strong European

presence, including joint ven-

tures. In the event the take-

over of a state-owned business

which lost money until

recently looks, on the face of it,

to be one of the riskier options.

But Sir Alan says he cannot

imagine anybody has done

more due diligence on an

acquisition in the 18 months

since he met Mr Francis Mer.

Usinor's chairman, who formed

SAM with a view to selling it

ASW has been poring over

SAM since then, and has

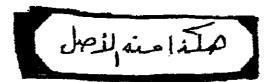
CROSS BORDER M&A DEALS

off as part of the French steel

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Doubt cast over Banesto AGF chief ready for spring privatisation After months of delay the French insurer's sale is getting closer, says Andrew Jack After months of delay the French insurer's sale is getting closer, says Andrew Jack Mr Antoine Jeancourt Galignani, chairman occasions since then that the sale was imminent - only to be allotted to workers, which is disnersed among national interest. Analysts said Mr Antoine Jeancourt Galignani, chairman occasions since then that the sale was imminent - only to be allotted to workers, which is disnersed among national interest. Analysts said Mr Antoine Jeancourt Galignani, chairman occasions since then that the sale was imminent - only to be allotted to workers, which is disnersed among national interest. Analysts said Mr Antoine Jeancourt Galignani, chairman occasions since then that the sale was imminent - only to be

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Legal objections raised by Portugal's securities and exchange commission (CMVM) have cast doubt over the planned sale by Banco Español de Crédito (Banesto), the Spanish bank, of its 50 per cent holding in Banco Totta e Acores, Portugal's third largest bank, for Es153bn (\$944.3m).

Mr Fernando Costa Lima, the president of the CMVM, said in a newspaper interview at the weekend that it would not be possible to exempt Mr Antônio Champalimand, the veteran Portuguese industrialist who has agreed to buy Banesto's stake, from making a public offer for all of BTA.

However, Mr Champalimand's agreement with Banesto stipulates that he will buy only if Portugal waives the requirement to make a bid for the other 50 per cent of BTA. special exemption in the

a share, excluding interest. BTA shares closed on Friday at Es3.426.

Portuguese government offi-cials are believed to have assured Mr Champalimaud unofficially, before his agreement to take a 50 per cent stake, that he would be exempted from a making a public offer for the entire com-

His purchase of Banesto's stake, of which 25 per cent is held indirectly by Portuguese associates, would end Portugal's embarrassment over a Spanish bank exceeding the limit of 25 per cent imposed on foreign ownership of BTA.

Mr Costa Lima's stand means that to allow the BTA deal to go ahead, the government will have to alter stock market legislation or declare a capital markets.

Following Banesto' agreement to sell BTA, shares in Banco Português do Atlântico, Portugal's second-ranked bank rose more than 4 per cent on both Thursday and Friday on speculation that Banco Comercial Portuguès would renew a bid for control of BPA vetoed by government in September. BCP denied the rumours.

However, bankers said that it would be difficult for the government to block another BCP bid for BPA if it approved Mr Champalimaud's acquisition of BTA.
This would create Portugal's

largest privately-owned financial group without an offer having to be made for 100 per cent of the target bank. These were the government's main justifications for blocking

company scheduled for privatisation, has a simple message for the government: "We are Looking relaxed in his office in central Paris at the end of last week, he refused to be drawn on the timetable for the sale of the state's 57 per cent

debate in the French press. The government clouded the issue last Thursday by publishing the decree in its official journal for the privatisation of Seita, the state tobacco monopoly. That has led many commentators to believe Seita is now likely to go first.

ales de France, the insurance

stake in AGF, despite intense

"It is up to the government to take the decision," said Mr Jeancourt-Galignani. "Quite frankly I don't know what they think." However, he believes the privatisation will happen before the end of March.

He has good reason to be cautious. AGF was prepared for privatisation as long ago as last spring, and the company

rebuffed while the sale of other state assets, such as in Renault in November - overtook it.

One reason for the long delay has been the disappointing performance of the stock market last year - notably for financial companies. "Our shares are closely correlated with the bond market," he says. "The argument is that as interest rates rise, the value of financial assets and our hidden capital gains goes down."

Another hitch has been the

need to sort out the question marks hovering over Comptoir des Entrepreneurs, the losswhich AGF had a 29.7 per cent stake.

late December has made the insurance group the control-ling shareholder, and those involved argue that the uncertainties are now resolved. "Initially, the delay caused

It aims to issue 30m A shares

- available only to domestic

investors - to be listed eventu-

ally on the Shanghai stock

A restructuring agreed in

some frustration," says Mr Jeancourt-Galignani. "People were a bit disappointed. But



After months of delay the French insurer's sale is getting closer, says Andrew Jack

Antoine Jeancourt-Galignani: good reason to be cautious

they adjusted to the reality. and it would not have been very pleasant if the share price had dropped after privatisa-

He says that AGF has now resolved the other outstanding financial problems it faced: notably the slump in real and high values on claims.

"It has been a very difficult period since 1991," he says. "1994 will show a marked improvement and we believe there will be a technical profit in all non-life business in

The outstanding issues soon to be resolved by the state's privatisation commission are the way in which strategic stakes will be distributed to existing large shareholders; and the minimum price for the shares, for which there is already some guide, given that

they are partly quoted. Mr Jeancourt-Galignani favours just over 20 per cent of the shares going to a small group, 5 per cent to AMB, its German insurance partner, 5 per cent to Société Générale, and a significant stake to

another French bank, Paribas. He is also working with his board to determine the discounts offered to employees seeking to take shareholdings. Some 10 per cent will be

allotted to workers, who are likely to receive a governmentsponsored 20 per cent reduc-tion on the public offer price. AGF may add in a further 10 per cent, as well as providing loans to encourage staff to buy

₹he French government remains reluctant to commit itself to which of the two companies is to be offered first, other than saying that both will go during the

first third of the year. "There are two irons in the fire, and in alphabetical order they are AGF and Scita," said the ministry of economics at

the end of last week. Nevertheless, there is one factor which is likely to force the sale of the government's AGF stake relatively soon, regardless of whether it takes place before or after Seita.

As part of the Comptoir des Entrepreneurs restructuring,

AGF says the state must hand over to it FFr7bn (\$1.3bn) by mid-April which it is to fund from the revenues raised by the sale of it stake in AGF.

Fundraising

for Northam

Platinum

By Mark Suzman

in Johannesburg

DAX futures to be traded in the US

By Andrew Fisher in Frankfurt

Germany's DAX futurés contract, based on the share prices of the country's 30 largest quoted companies, is to be marketed in the US for the first time following agreement between securities authorities

of the two countries. This was made possible by the latest securities law in Germany, which outlaws insider trading for the first time and also laid down the basis for the new regulatory agency, the Federal Supervisory Office for Securities Trading which began operations in Frankfurt

The go-ahead for US trading of the DAX futures contract, of which 5.1m were traded last year, was given by the Commodities Futures Trading Commission (CFCT). Previously, the US agency had said a stock-based instrument could not be traded without the legal banning of insider trading and the existence of a German regulatory body.

Members of the Deutsche Terminborse (DTB), Germany's financial futures and options exchange - which include foreign banks – will now be able to promote and sell the DAX futures contract to US-based

financial institutions and

money managers. The German

securities agency will share information with the CFTC. "The CFTC's approval gives the DTB and its members the first opportunity to directly market one of our products in the US," said Mr Jörg Franke, the DTB's general manager. "It is our hope and belief that additional opportunities to market our other risk management products will follow

shortly. Negotiations are also being held with UK authorities about selling the DAX futures con-

in Bund (8% to 10- year govern-ment bonds), Bobl (3% to fiveyear bonds) and Buxl (15 to 30-year securities) futures.

AMD profits jump in final three months

By Richard Tomkins

A big increase in sales resulted in a near doubling of fourthquarter net profits to \$74m for Advanced Micro Devices, one of the largest US makers of integrated circuits. The figure compared with \$39m in the same quarter last year.

However, the latest result marked a decline from the third quarter's net income of \$84m because of start-up costs at the new Fab 25 manufacturing plant in Austin, Texas, and the outcome of a legal dispute with rival Intel which resulted in AMB having to scrap about 100,000 chips. Sales shot up by 34 per cent

to a record \$545m in the period to December 25, led by strong demand for AMD's 386 and 486 microprocessors and embedded records, the company said. Full-year net income rose from \$218m to \$330m on sales up from \$1.65bn to \$2.13bn.

Tibetan hotel group plans share issue

By Norma Cohen. aments Correspondent

strengthening tourism industry is seen as the reason for plans to send some new shares sky-high . . . to the "roof of the world" in remote Tibet. Tibet Pearl Company,

restructured from the Chengdu Tibet Hotel concern, has become the first Tibetan company to announce plans for a public share issue.

The first "clones" of Apple

Computer's Macintosh per-

The company has closely

guarded its Macintosh technol-

to expand market share.

By Tom Foremski

exchange. Currently, there is a moratorium on listing new A shares on that exchange and the announcement by Tibet Pearl is viewed as a sign that the ban is about to be lifted. Tibet Pearl owns the 382-

room Chengdu Tibet Hotel along with entertainment and convention facilities. China

than a decade, but the growing

dominance of personal comput-

ers based on Intel chips that

run Microsoft's Windows soft-

ware has forced Apple to

technology to others it will cre-

ate a larger customer base and

encourage software developers

to create new applications for

It hopes that by licensing its

change its strategy.

Securities, lead underwriter for the planned offering, says more than 78 per cent of the hotel's rooms are rented on average and in 1994 the occupancy rate reached more than 90 per cent. The company will offer 27m

shares by selling an unlimited quantity of fixed special depositary receipts and then drawing lots on the receipts for subscription of shares. Another 3m shares will be placed

Power Computing and

Radius, both based in northern

California, are the first compa-

nies to demonstrate prototypes

Radius, which is a manufac-

turer of high resolution com-

puter displays, said it would

concentrate on a specialised

segment of the PC market.

offering computer-based video

Power Computing, a small

of the Macintosh clones.

editing systems.

according to a staff share placement proposal. The company expects to raise Yn112m (\$13.3m) from the issue, which it plans to invest in redevelopment of its centre piece hotel, construction of a new hotel in Sichuan province

bus company in Lhasa. Local brokers believe that as many as 20 companies may be awaiting listings for A shares

and the creation of a tourist

backing from Olivetti, the Ital-

ian computer manufacturer,

aims to introduce its clone.

based on Apple's Power Macin-

Apple said it had adopted an

"open licensing policy". Previ-

ously, it has said it would

license Macintosh technology

selectively to companies that

would not compete directly

tosh model, in March.

seek to raise an additional R500m (\$150m) through a rights issue to try to secure the mine's longer-term viability. Apple Macintosh PC 'clones' on the way

The company said the money would be used to repay exist ing borrowings of R291.3m and to fund working capital, capital expenditure and projected operating losses until financial self-sufficiency is reached.

Northam Platinum, the

troubled platinum mine in the

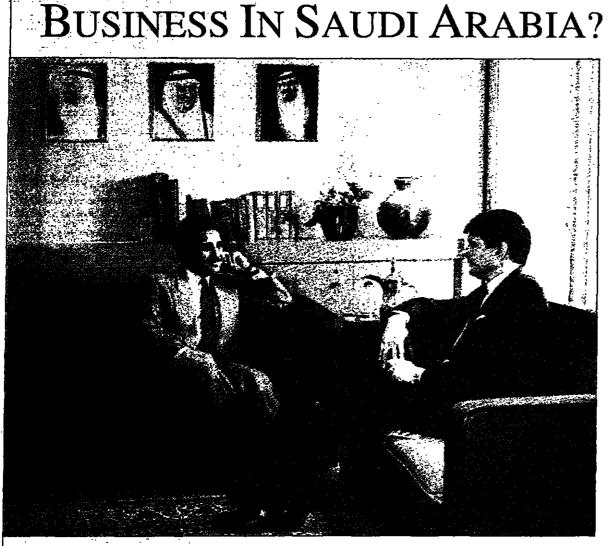
Gold Fields of South Africa sta-

ble, has confirmed that it will

The announcement follows the results of a technical assessment which said the mine would be viable at lower production levels of 110,000 tonnes a month compared to an original target of 150,000 tonnes a month.

The development of Northam has already cost shareholders

tract. sonal computers are soon to be The CFTC said that no spe marketed following Apple's Risc microprocessors Commucial approval was needed for nications circuits and non-voladecision last September to license its proprietary technolthe US marketing of contracts tile memories also set new ogy to other companies in a bid



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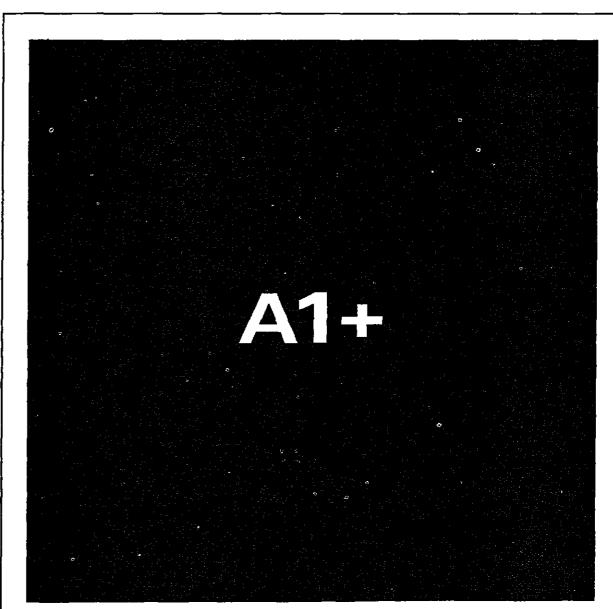
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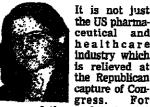
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Global Investor / Bronwen Maddox

Salvation for insurers





the US pharmaceutical and healthcare industry which is relieved at the Republican capture of Con-

many of the world's largest insurers, Republican proposals to slim down environmental and healthcare legislation would remove some of the greatest threats to their profit-

The passage of that legislation, in successive waves since the 1970s, marked a triumph at the time for environmental lobbyists and champions of workers' rights. But it has become clear that it is so expensive that it is unenforceable.

US rating agencies estimate that the total cost of environmental and asbestos-related claims could be more than \$130bn, although under the US courts' system of punitive dames, estimating the incidence and potential cost of these claims is near-impossible.

Environmental and asbestos claims in US courts have already brought down syndicates at Lloyds of London. It is now clear the private wealth of the British upper middle classes is insufficient to finance such claims. It is also beginning to seem likely that other insurers' resources, particularly those of small US insur-ers, would also prove inade-quate if the legislation were

outstanding risks, particularly under policies sold in the 1960s and 1970s, has been one factor behind the 30 per cent decline

In the past year, Congress has begun to grapple, although unsuccessfully, with the need to reform laws, particularly the Superfund rules on cleaning up polluted land. Superfund, the Clean Air Act and the Safe Drinking Water Act are all up for renewal, although Congress failed to pass bills updating them in the last session.

Proposals now in the pipe line, part of the Republican likely to ease the burden on business from these rules more than the Clinton plans would have done. If passed, they will shift power back from federal regulators to the states. Under

fully enforced. The difficulty of estimating in share prices of US insurance brokers over the past five years compared to the S&P composite index (assisted too by the California earthquake).

"contract with America", are

UK stilities: taken over by speculation?

a relative to the FT-SE-A All-Share Index

one proposal, land owners who cannot develop their land because of environmental restrictions would have to be

The new proposals would also severely curtail the rate at which new environmental and health laws can be passed, by insisting on scientific and economic analyses of their impli-cations. The cost of new fed-eral regulations might also be

capped, limiting the number of rules any one agency could issue annually. The changes could also scupper mooted revisions to a food-safety bill aimed at revising pesticide rules, and new proposals aimed at reducing repetitive strain injuries and smoking at work. Critics of the proposals claim that they will swamp any action by federal agencies in a mound of cost-benefit analysis,

Richard Mooney

Total return in local currency to 5/1/95

			70 (2000)			
	บร	Japen	Germeny	France	Italy	UK
Cash						
Week	0.11	0.04	0.10	0.10	0.16	0.10
Month	0.51	0.20	0.44	0,45	0.70	0,48
Year	3.81	1.81	5.19	5.59	7.81	5.19
Bonds 3-5 yea	er -					
Week	0.02	-0.31	-0.08	-0.11	0.05	0.12
Month	-0.17	0.48	-0.50	-1.08	-0.16	-0.06
Year	-2.66	-1,39	-0.76	-2.3 5	-0.10	-1.63
Bonds 7-10 ye	er					
Week	-0.10	-0,65	-0.38	-0.87	-0.35	-0.01
Month	-0.15	0.71	-0.98	-1.54	-1.13	-0.33
Year	-5.26	-3.85	-5.3 8	-8.41	-8.28	-7.01
Egylties						
Week	0.0	-0.5	-0.6	-0.9	29	-0.9
h danadia	1.8	0.8	-6.4	-4.4	28	0.5
Month		6.2	-8.1	-13.6	9.5	-6.7

while failing to make a real similarly hard to judge. dent in claims under existing laws. Nor is any rerating of the sector likely to be precise, as the markets' attempts to value pharmaceutical stocks in the face of potential reforms of US healthcare show. But given that the risk to insurers under such legislation is nearincalculable at present. a

diminution in that risk is wel-

come, even if its value is

the report of the Commission

on Social Justice, published

last year, is both correct and

important.* Policy for the family is the heart of social pol-

icy. It is also the most impor-

To illustrate the point: in

1992 the net measured wealth

of the UK's personal sector

was £2.300bn (\$3.600bn); but

its stock of "human capital"

was worth some twice as

much. One way of valuing the human capital stock is from

the difference between actual labour incomes and what they

would have been if nobody

had earned more than an

unskilled person. In 1992 this

would have been some £200bn.

rate of 4 per cent, the human

capital stock was worth over

Until recently, the marriage

of the mother with the father

was universally seen as the

institution primarily responsi-

ble for the production of

human capital. As was noted

in two previous columns (Mar-

ital Economics, September 12

1994. and Welfare and the

Family, September 26), this is

ceasing to be the case. 19 per

cent of families with depen-

dent children were headed by

whether parents are living

oitalised at a real interest

tant economic policy.

'Children are

not a private

pleasure or a personal bur-

den; they are

100 per cent of

the nation's

future." This

remark from

UK Utilities UK markets have also been

wrestling with attempts to calculate the financial consequences of potential political change. In recent attempts to rerate utility stocks, particularly electricity, brokers may be indulging in spurious preci-

Fear of a Labour victory at the next general election is a central reason why regional electricity companies have been scrambling to return value to shareholders through share buy-backs and large dividends. They are also pressing ahead with selling off their shares in the National Grid Company, which runs national lectricity transmission.

The source of the fear is Labour's threat of a windfall tax on profits of the privatised utilities. If imposed, it would be the first such tax since the Conservatives' tax on bank deposits in 1981-82.

Share prices of the recs have been boosted by anticipation of higher dividends and shrinking share capital bases. They have also been helped by takeover speculation; the protective shield of the government's golden share lifts on March 31. Several brokers, notably Smith New Court, say that the recs are considerably undervalued compared to the asset value. Share price rises of up to 40 per cent would be justified in some

However, the approach is questionable: it is hard to see any circumstances in which the full asset value would be returned to shareholders. For a start, brokers may be overval-uing the earnings beyond a general election. The current display of the utilities' wealth may prove politically counter-productive and trigger a higher windfall tax than would otherwise be imposed. It may also increase pressure for larger rebates to customers from the sale of the National Grid than the £25 currently assumed by some brokers.

It would be unwise of the

utilities to put much weight on the argument that the cupboard is hare while their franchises are capable of quickly replenishing their assets. Their surplus cash has built up since privatisation partly because the regulatory regime installed at that point did not foresee the scope for efficiency gains Even if they escaped a windfall tax, they might expect a further tightening of the regula-

tory regime.
Given that prospect, any takeovers ahead of the next election are unlikely to pay holders what brokers currently call the "full value" of the company. Predators can read the opinion polls as well as any one, and must appropriately discount the value of earnings after the next election.

COMMODITIES

Cocoa trade hopes for a boost

Cocoa traders will be hoping that Germany's fourth quarter 1994 cocoa grinding figure. which is expected to be published today or tomorrow, will be high enough to sustain the rally that carried nearby prices on the London futures market above £1,000 a tonne last week. That rise was fuelled in mid-week by the release of a

higher-than-expected Dutch fourth quarter grinding figure. Analysts have predicted that the German total will be unchanged to 5 per cent higher, compared with the cora continuing uptrend.

European Community exports of finished chocolate to Russia and the rest of eastern Europe appear to have recovered after the collapse that followed the sales boom of 1993 and early 1994. "In 1993 there was under-consumption of chocolate in Russia, which generated massive filling of the supply pipeline until March when it was full," one Dutch analyst told the Reuters news agency last week. 'That over-

responding period of 1993, and hang has been eroded away anything above that could fuel and we're now seeing normal and we're now seeing normal

German domestic chocolate consumption also appears to have recovered from the sharp dip seen during 1994's hot sum-mer. "Demand for chocolate is now more or less normal," said Karsten Keunecke, head of the German Confectionery Industry Confederation. "We had the big problem during the hot summer months, but we had rising exports to eastern Europe, which more or less compensated for the

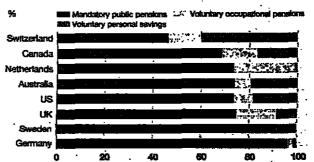
loss on the German market. • Other events this week include a two-day Home-Grown Cereals Association conference starting today in Cambridge. Topics under discussion will include future challenges, research and development opportunities and new technol-

Tomorrow sees the publica-tion of the International Primary Aluminium Institute's end-November stocks figures. The end-September stocks total was up 33,000 tonnes from a month earlier at 1.987m tonnes.

Change

Economic Eye / Martin Wolf

Farewell to the family



together or apart."
This view is fatuous. It

appeals to the grand notion of free choice, but violates at least two liberal principles. First, the choice is made in the knowledge that other people will be forced, via the tax system, to foot the bill. Second, children must be first among all the people to whom damage may not lightly be done by the exercise of free choice. Furthermore, the notion that the commitment of a father to children with whom he may never live can

a lone-parent in 1991, against 8.6 per cent in 1971. What has the Social Justice Commission to say about this rise of the mother-state-child family? "In common with the emerging consensus amongst leading family organisations, we believe that family size and structure are a matter for adults' private choice, but that dependent children are entitled to 'good enough parenting' based on a commitment that lasts throughout their childhood,

than couples.

approximate that of one who does is extraordinary. Fortunately, having won its intellectual battle for the market, London's Institute of Eco-

nomic Affairs has turned its attention to the social underpinnings of a free society. A recent book by Patricia Morgan for the IEA explains why it was right to do so.** Ms Morgan notes that "children of non-traditional families have higher rates of mortality and morbidity; are more at risk of abuse; more likely to become delinquent and go into care and more likely to become involved in crime."

They also perform more poorly in education. Furthermore, these disadvantage exist even when one controls for the poverty of lone-parents. In any case, the observation that the problem for loneparents is poverty misses the point. They are, other things equal, bound to be poorer

There are three principal

reasons for the shift: the declining significance of marriage; falling earning opportunities for unskilled males, making them less marriageable: and the tax and benefit systems. Ms Morgan's book shows how far the UK tax system has gone to eliminate the benefits of marriage. A lone parent with two small children can, for example, work for 20 hours at £4 per hour and end up with a net income of £163.99 after rent and tax. A married father of two small children working for 40 hours at the same hourly rate would take home £130.95. It is hardly surprising that almost half those in the bottom 10 per cent of the income distribution are couples with children (see chart).

Many women in poorer segments of society are better off without husbands. They are also the only women who are better off having children. The private costs of producing successful children are enormous while society as a whole shares in their income. Strikingly, the average size of the families of single lone-mothers increased from 1.2 to 1.5 children between 1981 and 1991 while the average size for married couples fell from 2.1 to 1.9. The quantity and the quality of the human capital stock are adversely affected.

Our

The most significant proposals of the Social Justice Commission are to increase the net subsidisation of lone-parents (partially disguised as childcare and nursery provision) and to tax child-benefit for high-earning mothers, further reducing their incentive to have children. Unfortunately, Ms Morgan's study addresses policy insufficiently. But she tion of all payments and ser vices to broken families that are not made to intact families, with one benefit standard for all children, whether inside or outside the means-tested system." Even more bravely, "there is the need for employment opportunities for men that are as considerate and 'friendly' to family providers, as they are now often asked to be towards parents

Such recommendations are of course, hugely controversial But how will future generations view the casual way with which we are discarding the social institution dedi cated to producing and socialising the next generation? Social Justice: Strategies for National Renewal, Report of tice (London: Vintage, 1994). ** Patricia Morgan, Farewell to the Family? Public Policy and Family Breakdown in Britain and the USA, Choice in Welfare Series No. 21 (London. IEA Health and Welfare Unit,

as carers".

Profit Before Taxation	261.1	177.3	+ 47.3
Profit After Taxation &			j
Minority Interests	154.4	104.9	+ 47.2
Shareholders' Funds	1,004.2	717.0	+ 40.1
Loans & Advances, Net of Provisions	11,319.8	8,431.4	+ 34.3
Deposits and Borrowings	14,353.8	11,210.8	+ 28.0
Total Assets	16,693.7	12,812.6	+ 30.3
Commitments & Contingencies	1,703.1	1,215.9	+ 40.1
			

FINANCIAL HIGHLIGHTS

AMMB HOLDINGS BERHAD

Half-Year Ended 30th September, 1994

Unaudited Consolidated Results

In Million RM

HIGHLIGHTS

- The Group continued to improve on its performance with the country's sustained economic growth.
- AMMB Holdings Berhad donated an additional RM15.2 million towards the RM600 million Fund for Construction of Low-Cost Houses for the poor. Todate, AHB has donated a total of RM30.2
- The Arab-Malaysian Banking Group launched its Interest-Free Banking Scheme in Sarawak on Thursday, 6th October, 1994. Arab-Malaysian Bank Berhad launched a similar scheme in Kuala Lumpur on Monday, 21st November.
- The Group Annual Report won for the fourth consecutive year, the "Overall Award for the Most Outstanding Annual Report in the 1994 National Annual Corporate Reports Award".
- Arab-Malaysian Merchant Bank Berhad received approval from Bank Negara Malaysia to establish an offshore banking operation in the Federal Territory of Labuan and a merchant banking branch in Pulau Pinang.

The Group expects to continue to improve on its performance for the second half of the financial

TAN SRI DATO' AZMAN HASHIM



In Million RM



AMMB Holdings Berhad • 22nd Floor, Bangunan Arab-Malaysian, P.O. Box 10233, 50708 Kuala Lumpur, Malaysia. Tel: 60-03-2382633, 2382644, 2382655.

• Fax: 60-03-2382842. • Telex: MA 31167 & 31169



FT-ACTUARIES WORLD INDICES

REGIONAL MARKETS -			FRED	JANU	ARY 6 1	995			Т	HURSOAY	JANILA	ZY 5 100				· .
Figures in peremitheses	US	%chg	Pound			Local	Local %	Gross	us Ì	Pound			Local			Yeer
show number of lines	Dollar	since	Sterling	Yen	DM	Currency	chg from	Div.	Dollar	Sterling	Yen	DM		52 week	59 west	800
of stock	Index	30/12/94	Index	Index	· Index	Index	30/12/94	Yleid	Index	Index	Index	Index	Index	High	Low	(approx)
Australia (68)		-3.4	158.17	106.12	134.20		-2.2	4.01	166.08	157,49	106.04	134.14	143.91	189.15	161.21	170.4
Austria (16)		-0.9	172.80	115.94	148.62	145.96	-0.8	1.11	180.66	171.33	115.36	145,92	145.96	198.89	187.48	
Belgium (35)		-0.8	159.38	106.94	135.23	132.04	-0.1	4.18	166.52	157,90	106.32	134.49	131.29	177.04	160.76	
Brazil (28)		-10.3	139.69	93.72	118.52		-11.1	1.00	152.22	144,35	97.19	122.94	235.78	-	-	
Canada (103)		-1.3	121.89	81.78	103.42		-1,4	2.68	127,91	121.29	81,66	103.30	129.85	145.31	120.54	139.7
Denmark (33)		0.4	241.20	161.83	204.65		0.0	1.41	255.16	241.96	162.91	206.08	211.78	275.79	238.61	258.2
Finland (24)		1.4	179.98	120.76	152.71	188.55	1,9	0.73	188.62	179.05	120.55	152.50	188.55	201.41	130.66	130.8
France (102)		-0.6	155.09	104.06	131.59	137.03	0,1	3.13	162.02	153.64	103.44	130.86	136.12	185,37	159.34	177.0
Germany (58)		-1.8	132,76	89.08	112.64	112.64	-1.3	1.85	140.15	132.90	89.48	113.19	113.19	150.40	128.37	
Hong Kong (56)		-6.3	291.65	195.68	247.46	304.41	-6.0	4.08	315.64	299.31	201.53	254.93	313.88	493.01	305.60	
Ireland (16)		23	201.39	135.12	170.87	193.27	2.7	3.30	210.07	199.20	134.13	169.67	191.51	218.80	. 177.56	
italy (59)		8.0	72.08	48.36	61.16	P1.91	1.2	1.72	75.86	71.94	48.44	61.27	81.91	97.78	. 177,36 65,87	190.0 67.6
Japan (464)		-29	145.42	97.56	123.38	97.56	-1.4	0.78	153.91	145.95	98.27	124.31	98.27	170.10	131.55	131.5
Malaysia 197)	487.06	-28	445.74	299.06	378.20	458.96	-2.6	1.83	472.34	447.90	301.57	381.49	463.88	594.76	430.71	892.5
Medico (18)		-14.5	1155,63	775.35	980.51	7308.26	-4.2	1.40	1232,34	1168.58	786.80	985.29	7343.20	2647.05		
Netherland (19)		-1.2	205.18	137.66	174.09	171.28	-0.6	3.37	215,12	203.99	137.35	173.74	170.96	223.30	1197.98	
New Zeakind (14)	69.79	-0.9	66.61	44,69	56.51	58.17	-0.5	5.03	69,74	88.14	44.53	58.33	57.97		191,28	203.4
Norwey (23)	206.72	-3.0	197.28	132.36	167.38	190.77	-2.5	1.73	210.11	199,24	134.15	169.69		77.59	62.05	
Singapore (44)	.371.42	-0.4	354.47	237.82	300.76	248.84	-0.7	1.72	375.94	358.49	240.03	303.63	193.24	214.65	177.53	188.5
South Atrica (59)		-1.8	315.60	211.75	267.77	293.82	-20	2.24	331.14	314.01	211.42	267.44	251,72	401,38	294.66	369.6
Spain (38)		-2.7	122.52	82.20	103.95	130.10	-1.1	4.45	129.26	122.57	82.53	104.40	293.13	342.00	205.55	277.2
Sweden (48)		0.7	224.20	150.42	190.23	261.65	1.9	1.49	237.76	225.47	151.81		130.10	155.79	128.35	137.2
Switzerland (47)		-0.2	157.28	105.51	133,43	133.54	-0.4	1.83	164.81	156.28	105.22	192.03	261.65	242.81	198.70	204.5
Theiland (46)		-0.8	149.79	100.50	127.09	153.08	-0.7	2.49	158.98	150.75		133.11	138.39	178.56	149.91	65.1¢
United Kingdom (205)	107.36	-0.8	184.53	123.81	158.57	184.53	-0.1	4.17	192.72	182.75	101.50	128.40	156.04	-	_	
USA (513)		0.5	180.02	120.78	152.74		0.5	2.84	188.41		123.05	155.65	182,75	214,96	181.11	206.1
										178.86	120.29	152.17	188.41	198.04	178.95	189.9
Americas (882)		0.0	166.29	111.57	141.09	146.07	0.2	289	174.19	165.18	111_21	140.68	146.00			
Europe (723)		-0.9	159.84	107.24	135.61	150.24	-0.2	5.10	167.57	158.90	106.99	135.34	149.63	178,58	160.59	170.7
Nordic (128)		7.1	216.51	145.26	183.70	214.77	2.0	1.36	229.14	217.28	146.30	185.08	215.22	233.91	197.58	197.5
Pacific Básin (803)		-3.0	152,06	102.02	129.02	106.09	-1.7	1.15	181.06	152,73	102.83	130.08	108.86	176.88		148.0
Euro-Pacific (1532)	_162.63	-21	155.21	104.13	131.69	123.52	-1.1	1.99	163.68	155.21	104.50	132.19			145.89	
North America (516)	184.85	0.4	176.41	118.36	149.68	184.57	0.4	2.93	184.66	175.10	117.90	149.14	123.88	175.14	155.32	156.1
Europa Ex. UK (518)		-0,9	143.08	98.00	121,40	129,94	-0.4	2.48	150.34	142.58	95.99	121.42	184.36	192,73	175.87	186.8
Pacific Ex. Japan (325)		-3.6	218.05	145.97	185.86	201.68	-3.3	3.30	233.01	220.96	148.77		129.83	158,12	144.12	148,5
World Ex. US (1740)		-22	156.07	104.71	132.42	126.93	-1.2	2.00	164.60	158.09	105.09	188.20	204,47	291,75	224.17	284.0
World Ex. UK (2048)		-1.4	160.91	107.96	136.53	141,96	-0.7	2.13	169.38	160.61		132.94	127.32	176,65	157.61	158.6
World Ex. Japan (1789)		-0.6	174.15	116.84	147.76	174.23	-0.3	2.98	182.69	173.24	108.14 116.64	136.80	142,35	178.59	164.27	164.4
The World Index (2259)		-1.3	162.99	109.36	138.29	145.80	-0.6	2.33	171,44			147,56	174.09	195.20	178.34	188,84
	- I (U./B	-1.5	102.00	100.30	10.00	170-00	-0.0	يمع	111.44	162.57	109.46	138.46	146,03	180.80	166.19	168.1

inity complied by The Financial Times Ltd., Goldman, Sachs & Co. and MatWest Sacurities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Acts

fter the Mexican deba-

cle, many investors are wondering whether

Argentina will be the next

Latin American economy to

MINIMI AND WAY

Oost Emergi

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US money

back home

Mr Albert Edwards, Kleinwort

Benson's global strategist, said

that the UK investment bank

was looking to add both Argen-

tina and Brazil to its global

equity portfolio for the first

The main difference between

these markets and Mexico, he

said, was that neither had

"unsustainably large current

But he warned that, in gen

eral, all emerging markets

were now vulnerable to the liq-

uidation of US mutual funds, "with inflows into interna-

tional funds already totally

"The simple truth is that the

party is over. Global markets have feasted off easy US

money and it is now going

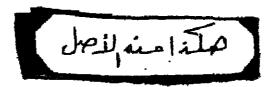
home...We have long warned

drying up in November.

account deficits to finance".

time, writes John Pitt.

heading



EMERGING MARKETS: This Week

The Emerging Investor / David Pilling

Argentina combats Mexican wave

Of all Latin economies, that of Argentina – at least superfithe late 1980s which forced it cially - most resembles to adopt a severe exchange Mexico's, Like Mexico, it has a rate policy known as convertbig current account deficit ibility. Launched in April 1991. about \$11bn in 1994 - creating convertibility fixes the peso by a dependence on capital law at 1-to-1 with the dollar inflows; also like Mexico, its and, more crucially, forbids the currency seems overvalued, printing of local currency raising questions about how unless backed by capital long parity with the dollar is inflows

The Mexican central bank, Apparent similarities have to keep local interest rates led to the Buenos Aires stock down, followed an expansionmarket taking the brunt of the ary credit policy ... even after Mexican backlash, with the reserves started to fall," says Merval blue-chip index sliding Mr Esteban Thomsen of Buenos Aires based Banco Privado. 17 per cent in the week following the Mexican devaluation. "In Argentina, the central Bonds fell sharply, while bank may not, and does not. short-term interest rates nearly follow such a discretionary poltripled creating severe liquidicy. The convertibility sysity problems in the banking tem ... makes it almost impossector. But many analysts sible to pursue a monetary believe financial markets have policy independently of the overreacted, saying that trad-ers have failed to understand evolution of its international reserves."

important differences between militates against capital flight by allowing deposits to be kept in dollars within Argentina, the two economies. The crucial distinction, they say, stems from Argentina's experience of hyperinflation in

Friday &/1/95

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13.7867 1.6835 3.0243 3.4490

2:3279

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0.2360 0.2377

0.1570

Ten best performing stocks

According to Mr Geoffrey Dennis, Latin American strategist at Bear Sterns, convertibility creates an economic "transparency" which makes it "very hard for a run on the currency to creep up on us". Argentina's defenders argue

that its trade deficit - less than half Mexico's in relative terms - is in any case shrinking as productivity gains feed into higher exports and as local consumer demand dwindles. Argentina has grown on average by an annual 7 per cent in the past four years, the fastest in Latin America, has brought inflation down to below 4 per cent, the lowest in the region, and has deregulated its economy far more quickly than Mexico.

Finally, the optimists say. Argentina's social tensions are far removed from those which erupted into Mexico's Chiapas

uprising.
"The differences are well rehearsed," says Mr Dennis. But when all's said and done, people are saying that Argentina faces the same problems as Mexico." The view of many investors is that "if things get really nasty" the "differences may be less important than the similarities"

Mr Dennis believes, however, that the worst may be over. "Our view is that they will not devalue... If it was going to happen it would have already occurred," he says. But even ruling out collapse, Argentina may still not escape unscathed.

"Clearly the danger is that Argentina will need such high levels of interest rates to attract capital that growth will slow."

Economic growth in 1995, officially estimated at 6.5 per cent, may also suffer from public spending cuts which are being pushed through in an effort to restore lapsed fiscal

Such considerations mean

that Baring Securities may downgrade its earnings forecasts for 1995, originally set at 18 per cent. "Inevitably the numbers will come down," says Mr Eduardo Tapia, head of Barings office in Argentina. However, even after lowering earnings prospects, p/e ratios for 1995 of about 12 to 13 times

make Argentina the cheapest Latin American market, discounting Mexico where reliable forecasts are now impossible. According to the latest Barings estimates of 1995 earnings. Peru is trading on a ratio of 16.8, Chile at 17.1 and Brazil at

The Merval index, which closed last Friday at 433.56. some 40 per cent down on its 1994 high of 728, "looks attractive, barring any worst-case scenario," says Mr Neil Perry, head of Latin American research at Barings. "We think the market is a buy, although we would not be so bold as to put a marker in the ground and say: "Today's the day it has touched bottom."

tina a "pretty good buy," and is upgrading it from underweight to neutral However, he believes that victory for President Carlos Menem in May's elections and the renaming of analysts say. Mr Domingo Cavallo as economy minister are crucial to maintain investor confidence. He is therefore waiting a few

months before becoming an Those who do decide to purchase will have to pick carefully. Stocks to avoid may be those with high gearing, as well as banks because of the negative impact of falling bond prices on their bottom line,

Flat margins and uncertainty over the impact of possible tariff adjustments have also made investors wary of the so-called telephone twins, Telecom and Telefonica, whose spectacular performance since privatisation may now

be in question. Over the next few months

Argentina's crucial test will be to persuade investors that its economic foundations are sounder than those of Mexico. Mr Cavallo is convinced that the market has overreacted and that Bucnos Aires offers tremendous bargains.

Those who pay attention to the differences between Argentina and Mexico are going to take short-term decisions that will prove very intelligent in the long term," he says.

Mr Cavallo is due to fly to New York tomorrow to tell bankers and investors just that. Much hangs on whether or not they are convinced.

A testing time for South America's markets

Brazil's main stock market in São Paulo ended last week in sombre mood, hoping the worst was over but unsure when the damage inflicted by Mexico's storm would be repaired, writes Angus Foster in São Paulo.

After falling on each of the first three days of the week, the Bovespa index recorded a small gain on Thursday then fell another 5.1 per cent on Friday to close the week at 38,273. The index has dropped nearly 20 per cent since the Mexican crisis hit on December 20.

In Mexico the IPC index feil slightly on Friday, bringing its loss on the week in local currency terms to 5 per cent. This week an IMF delegation was due to visit the country to begin

talks over a standby credit arrangeme Investors will also be watching the Mexican banking sector this week, with fears that some of the smaller ones will be badly hit by the peso's devaluation. On Friday one small bank, Banpais, fell 46 per cent, while Moody's Investors Services downgraded the long-term foreign currency debt of two of the biggest, Banamex

In Brazil, selling has been blamed on worries that foreign investors would lose enthusiasm for all of Latin America's markets. It was exacerbated in Brazil because the market's strong rise in 1994 gave investors the chance to take profits to cover losses elsewhere in the region. The Bovespa index rose 60 per cent in dollar terms last year, despite a 6.5 per cent fall

in December.
Nevertheless, shares and Brazil's Brady bonds have fallen less heavily than those in Mexico or Argentina, reflecting investors' beliefs that Brazil is some time away from facing a Mexico-style crisis.

Government ministers stressed throughout last week that, unlike Mexico, Brazil has ample foreign exchange reserves of about \$40bn. The country also recorded a trade surplus last year of \$11.5bn, although there was a deficit of \$47m

Despite such fundamentals, local analysts are worried that international investors will not differentiate sufficiently between the main Latin American markets and will continue to sell or start to ignore Brazil. After accounting for a growing share of trading last year, foreign investors made up only 18 per cent of volume in December, the lowest level since June. In the week after Christmas, there were reports of

several big liquidations by foreign investors.

that higher rates would lead to redemptions. Crunch times kets. Take cover."

ADR issues

Issuers from companies in emerging markets accounted for 56 per cent of ADR programmes launched in 1991, representing 66 per cent of the total capital raised. Citibank

has said. Overall the issuance of ADRs in 1994 nearly doubled from 1993 – a total of 285 companies from 43 countries launched new programmes, raising more

CURRENCIES

Leader Universat Holdings

Tjiwi Kimita

Indocement

Lippo Bank

US data brings dollar into focus

The dollar will provide the focus for the year's first full week of trading after last week's strong US non-farm

payroll report. With analysts citing the report as evidence that the US Federal Reserve will soon raise interest rates again. investors will this week look to December's producer price index, released tomorrow, Wednesday's consumer price index, and Friday's retail sales data for signs of further robust growth in the

Investors will also be keen to see how the new Republican Congress wields its might. If it succeeds in pushing through

tax cuts, markets may start to

Last week the dollar climbed

to its four-month high against Traders will watch Wednesday's summit between US president Bill Clinton, and Japanese prime minister, Tomiichi Murayama, for more construc-

tive agreement between the two countries. Traders will focus on key resistance levels for the dollar against the yen, around Y101.50 to Y101.75. Analysts say that if the dollar can con-solidate a breach above that level, it could well move quickly to Y105 against the

The Mexican peso crisis and concern about fighting in Chechnya could also prompt investors to take cover in the US

In Europe, the economic diary is fairly quiet, but investors will keep an eye on developments in the minor European currencies which were attered last week.

get on Tuesday, providing the

markets with a further guide

to currency direction.

Both the peseta and the Swedish krona will be under scrutiny after last week's Spanish interest rate rise and the downgrade of Sweden's foreign currency debt rating. Sweden will present its bud-

In the UK, the most significant data release comes at the end of the week with the October trade figures. These are expected to underpin Britain's strong export performance and give a positive bias to the

on a caretaker government.

However, as Parliament reconvenes, sterling may be adversely affected if political worries overshadow strong economic fundamentals. The threat of yet another backbench rebellion against John Major's beleaguered govern-

Traders will also show interest in the lira if Oscar Scalfaro, Against the yen (Y per \$) the Italian president, recovers from flu and reconvenes talks

48 - Moteko Hich

and Bancomer

Oct 1994

ment could undermine the pound.

FT GUIDE TO WORLD CURRENCIES

Appendix Price St. 27 Sel. 25 Sel. 2			20.4			QC 1001					(X 100)					(X 100)
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Argan Per Seman	Allocate												3.3974			
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April	Ariigus	(E Carr S)			1,7442						2.6819	Pitcaim is (C Sterling)				
Austen Fernig 1, 1900	Argentine	g-eecq							23/2							
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American Airlines

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		Week on week		Month on month		Year to date	
Index	6/1/95	Actual	Percent	Actual	Percont	Actual	Percen
World (301)	150.65	-7.39	-4.67	-20.78	-12.12	-7.39	-4.6
Latin America							
Argentina (20)	84.98	-1,13	-1.32	-12.51	-12.83	-1.13	-1.3
Brazil (21)	197.07	-12.30	-5.87	-21.35	-9.77	-12.30	-5.8
Chile (12)	209.22	-2.35	-1.11	-10.80	-4.91	-2.35	-1.1
Mexico (25)	84.03	-13.5 9	-13.92	-54.51	-39.35	-13.59	-13.9
Peru(16)	\$22.64	-26.03	-3.07	-103.63	-11.19	-26.03	-3.0
Latin America (94)	128.72	-10.05	-7.24	-34.53	-21.15	-10.05	-7.2
Europe							
Greece (16)	87.71	+0.72	+0.83	+0.64	+0.74	+0.72	+0.8
Portugal (18)	115.80	-0.48	-0.41	-2.79	-2.36	-0.48	-0.4
Turkey (21)	72.52€	-3.59	-4.72	-11 .33	-13.52	-3.59	-4.7
Europe (55)	96.79	-0.91	-0.93	-3.60	-3.59	-0.91	-0.9
Asia							
Indonesia (26)	138.99	+5.31	+3.97	+5.27	+3.94	+5.31	+3.9
Korea (23)	127.12	-12.76	-9.12	-23.72	-15.73	-12.76	-9.1
Malaysia (23)	206.78	-4.08	-1.93	+2.84	+1.39	-4.08	-1.9
Pakistan (11)	108.98	+2.78	+2.62	-0.13	-0.12	+2.78	+2.6
Phillippines (12)	280.58	-1.54	-0.55	+5.75	+2.09	-1.54	-0.5
Thalland (25)	252.39	+0.75	+0.30	+4.88	+1.97	+0.75	+0.3
Talwan (32)	179.18	-4.97	-2.70	+5.70	+3.29	-4.97	-2.7
Asia (152)	<i>2</i> 06.65	-3.96	-1.66	+0.05	+0.02	-3.96	-1.8

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KERRY GROUP plc

has acquired the Food Ingredients Business of

ALLIED DOMECQ PLC

comprising

DCA FOOD INDUSTRIES INC. and its subsidiaries

and the assets of MARGETTS FOODS LIMITED

The undersigned acted as financial advisor to

Kerry Group plc

CITY OF COPENHAGEN

December 1994.

CITIBAN(***)

APPOINTMENTS ADVERTISING appears in the UK edition every Wednesday & Thursday and in the International edition every Friday. For further information please contact:

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NIPPON KINZOKU CO., LTD GUARANTEED FLOATING RATE EW RATE AND INTEREST PERIOD

INTEREST PERIOD: FROM 69th January 1995 TO 07th April 1995 INTEREST PAYABLE PER USD 100,000.- NOTE USD 1,640,83 BY PUIT BANK (LUXEMBOURG) S.A **NEW YORK**

WORLD BOND MARKETS: This Week

Graham Bowley

UK -- 122 -- --

ce: Memili Lynch

7.25

£25

Senchmerk visid curve (%)*

- Month ago -

years

think it may narrow further,

week's flood of data to push it

close to 100 basis points. Ms Marian Bell, of the Royal

Bank of Scotland, thinks the

production data will show a

putting downward pressure on

The City consensus forecast

month-on-month rise following

an increase of 0.1 per cent in

vibrant industrial sector,

is for a 0.3 per cent

gilt prices

although it may take next

· 20

A growing belief that another half percentage point rise in US interest rates will come with the Federal Reserve's next policy-making committee meeting on January 31 failed

to dent Treasury bond prices last week Nor is that equanimity likely to be disturbed by the moderate December rises in producer and consumer prices which are

expected to be announced this That the bond market had already prepared itself for another rise was clear on Friday: a modest fall in the official unemployment rate to 5.4 per cent from November's 5.6 per cent prompted a modest

spectrum. Tomorrow's release of the producer price index for December is generally expected to show an increase of 0.2 percentage points during the month, bringing the full-year rise to 1.7 per

rally across the maturity

US : Benchmark yield curve (%)" 8/1/95 - Month ago -8.25 _7.25· 6.25 10 years 20

Richard Waters

Most economists expect the consumer price index, which will be published on Wednesday, to show a 0.3 percentage point increase for December, or 2.7 per cent for 1994 as a whole - the same as

Bigger rises than these could put pressure on the Fed to move on interest rates before the end of the month, and increase the likelihood of a second half-point rate rise early in the year.

LONDON Fresh supply and the pace of

UK economic growth are the themes likely to dominate the gilts market this week.

On Wednesday, figures for industrial production in November will paint a picture of how fast the economy was growing near the end of last year, while on Friday the Bank of England is expected to announce details of the government's next bond

The figures are likely to dictate the direction of the market while the auction announcement will hold the key to the relative performance of different areas of the gilt yield curve. S.G. Warburg's Mr Simon

Briscoe expects the Bank to announce a sale of five-year stock, which will therefore depress the five-year area. The 10-year sector, free of supply, will perform best this week, he The gilt-bund spread

narrowed from 127 to 112 basis points last week and analysts

FRANKFURT

The German bond market, which reacted positively on Friday to the US employment figures, will have a feast of domestic statistics to survey

this week. They will show the strength of inflation, actual and potential, the rate of economic growth, and the still high level of unemployment. Also, the 1995 wage round

will start to gain momentum with regional pay talks in the engineering industry and parts of the chemical industry. "The wage settlements are

critical in the outlook for German monetary policy. says Paribas Capital Markets. Deals are bound to exceed last year's 2 per cent average, but should be held to around 3 per cent as inflation eases and the economic recovery remains patchy.

Thursday's GDP figures for growth of 3 per cent for the the east).

Andrew Fisher

10 yrs 20

Also due this week are December's wholesale price

unemployment data, along

with final M3 for Novembe

The Bundesbank can be

settlements are to its liking.

increasingly expecting it to

switch to variable rate repos

expected to keep a steady hand

and final consumer price

on interest rates if wage

However, traders are

figures for December.

index and west German

Benchmark yield curve (%)*

8.00 -

6.00

5.00

1994 are expected to confirm whole of Germany (2.5 per cent in the west and 9 per cent in

Germany

Japanese bonds are expected to fluctuate in a narrow range this week as investors remain cautious over currency movements and the long bond

TOKYO

auction The fall in the yen against the dollar could prompt investors, who had expected the high yen to continue to squeeze exporters' earnings and the economy, to review their economic outlook. The yen's fall has also affected supply and demand by triggering profit-taking by overseas investors trying to

lock in currency gains. While dollar selling by Japanese exporters is expected to stem a further decline in the yen against the dollar, US and European investors are switching funds out of Japanese bonds due to widening interest rate differentials, increasing the downward pressure on the yen. Investors are also likely to

focus on the auction of 10-year

the market is supported by

bonds this week. The bottom of

institutions willing to purchase bonds at the lower end, but worries over new debt coming to the market this month are mounting, since the government is expected to offer medium-term bonds, while euroyen and corporate bond issues are also scheduled. Nihon Sogo Shoken, the brokers' broker, said last year's trading activity fell sharply from 1993. Domestic bonds traded totalled Y389,759hn, down 32.8 per cent.

Emiko Terazono

Month Apo .

Benchmark yield curve (%)

8/1/**9**5

4.00 -

3.00

"All yiekis are market Rouces: Mentil Lynch

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Capital & Credit

Little consensus over US soft landing

Ask three economists a 'yes' or 'no' question and one is likely to get three different answers. Yet there is agreement on one point as economists look ahead what might happen to US bonds this year. It has to be hetter than 1994.

That, of course, is where agreement ends. There is no manimity about when or how much the market may improve, but little could be worse than a year that saw yields on two-year notes soar by 340 basis points from 4.30 per cent at the beginning of January to 7.63 per cent last week, when the consensus was that they would hold steady.

The news was not much better in the market for 30-year Treasuries, where yields rose from 6.41 per cent to 7.86 per "The year was a parade of implosions," says Mr Steven

Nothern, who manages government securities in several of Massachusetts Financial Services' mutual funds.

Rising interest rates wreaked havoc for investors - such as Mr Robert Citron, the former Orange County treasurer -

who bet they would stay steady or decrease in 1994. In the first half of 1995, short-term rates should con-

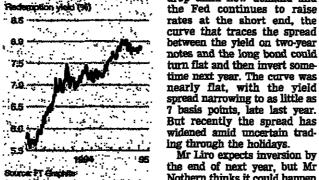
tinue to rise, keeping investors hoping to lock in the highest possible yields out of the mar-Over the first five months of this year there will be a continuation of the bear market,"

says Mr Joseph Liro of S.G. Warburg. "Then, as we get a sense that the economy is responding to Fed tightening, of the tightening cycle there will be a pronounced rally in the second half of the year. While some see the 30-year

Treasury yielding 7 per cent or less by year-end, others predict the long bond could be as high as 8 per cent. In the two-year market, estimates are closer to 8 per cent. In the near term, most

expect the long bond to be at or above 8 per cent, which would be a buying opportunity, says Mr Nothern, who believes the long bond will yield closer to 7 per cent at year-end. Like most on Wall Street, Mr Nothern expects at least two

US 10-year bond



more rounds of tightening by the central bank, with the first coming at the end of this month. He advises a 'bar-bell' position with paper of less than a year's maturity and 10 to 30-year bonds in order defend against interest rate

volatility. Ultimately, the Fed should stop tightening when growth slows, and this should attract investors to the long end of the market as the risk subsides that inflation will erode the value of their investments.

If yields on 30-year bonds drop amid new demand and the Fed continues to raise rates at the short end, the curve that traces the spread between the yield on two-year notes and the long bond could turn flat and then invert sometime next year. The curve was nearly flat, with the yield

ing through the holidays. Mr Liro expects inversion by the end of next year, but Mr Nothern thinks it could happen as early as the end of the first

quarter of this year. Mr Allen Sinai, chief global economist at Lehman Brothers, expects inversion to hold "until the central bank starts to lower interest rates again. and that will not happen until there are signs of weak growth or surprisingly low inflation numbers, and neither is likely in 1995."

An inverted yield curve is usually a sign that the market anticipates economic slowing, but economists are split about whether the slowing will produce a "soft landing" or throw the economy into recession. In 1994, the Fed raised interest rates six times, although the consumer price index held

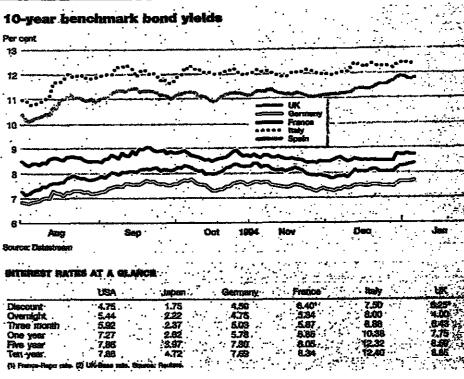
below 3 per cent. The Fed reacted to inflationary pres-

sures deeper in the economy. In December, for example, unemployment dropped to its lowest level in four years, and the National Association of Purchasing Management index of business activity hit 57.8 per cent - the 16th consecutive

month of growth. Most are optimistic about a soft landing, although many are forecasting a quarter or two of slow or negative growth.

But Mr Robert Brusca, chief economist at Nikko Securities, sees recession. "The view of a soft landing is for the softheaded," he says. "The strong December jobs report ... makes the economy look bullet-proof. No economy ever is, and as we think about this, the Fed is loading armourpiercing rounds preparing

Lisa Bransten



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NOTICE OF REDEMPTION TO THE BEARER SECURITYHOLDERS OF PETROLERA ARGENTINA SAN JORGE S.A. U\$\$ 45,000,000

11% SECURED NEGOTIABLE OBLIGATIONS DUE 1995-1998 NOTICE IS HEREBY GIVEN that, pursuant to Article 10 of the indenture dated as of February 9, 1993, as supplemented (the "indenture") between Petrolera Argentina San Jorge S.A. as Issuer (the "Issuer"), and BankAmerica National Trust Company, as Trustee (the "Trustee"), the Issuer has elected to redeem all of the outstanding U\$S

45,000,000 - 11% Secured Negotiable Obligations due 1995-1998 (the "Securities") on February 9, 1995 (the "Redemption Date") at 102% of the unpaid principal amount thereof, plus accrued and unpaid interest to the Redemption Date (the "Redemption Price"). The Redemption Price will be due and payable on each Security on the Redemption Date, and interest thereon shall cease to accrue on and after the Redemption Date.

Payment of the Redemption Price of the Securities will be made to Bearer Securityholders upon presentation and surrender of the Securities to the Trustee at BankAmerica NT & S.A., 162 Queen Victoria Street, London, EC4, United Kingdom, Attention: Paul Irwin / GSS.

Bearer Securityholders may elect to receive payment upon presentation and surrender of the Securities to Banco Medefin S.A. at 25 de Mayo 499, Buenos Aires, Argentina, Attention: Sr. Emesto Achaval on the Redemption Date if an application with Banco Medefin S.A. between the ninth and fifth Business Day prior to the Redemption Date.

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Yen 5,000,000,000 %% Convertible Boods 1999 restible into shares of consumer st

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(the "Canwerthile Bands")

We hereby notify you, in accordance with Clause 4(A) of the Instrument with respect to the Boads with Warrants and Clause 5,B to the Trust Deed with respect to the Correcthile Bonds, that on Ind Genber, 1994 the Board of Directors of Edenaha, 1994 the Board of Directors of Edenaha, Co., Ltd. (the "Company") has probled that the Company would meane with Sahakya Co., Ltd. ("SAKAKIYA") and a merger agreement (the "Merger Agreement") was executed.

According to the Marger Agreement, which is subject to the approved in the general meetings of datacholdens of the Company and SAKAKIYA subschied to be held of 24th Instancy, 1995, the merger will because effective as of Zist Manch, 1995, then the consumerals Code of Ispan. Upon merger, it have of SAKAKIYA will be exchanged for 0.55 alause of the Company.

Partnark to the Merger Agreement, the Company on 21th Acro., 1995, subject to the shorter assets and bandwas of SAKAKIYA will be unsuferred to the Company on 21th Acro., 1995, subject to the shorter ancestories of registration which is exposed to be asset in the middle of Jaco., 1995.

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FT CONFERENCES

NTERCONNECTION - THE EVOLVING UK PROGRAMME AND IT INTERNATIONAL CONTEXT London. 8 February 1995

Senior speakers from OFTEL, led by Mr Don Cruickshank its Director General, will look at the key issues of the UK's interconnection programme. This joint conference will also address interconnection and competition in international telecommunications, with presentations from Mr Scott B Harris, US Federal Communications Commission; Mr Nicholes Argyris, European Commission and Mr Jan Freese, Swedish National Post and Telecom Agency.

LONDON MOTOR CONFERENCE

London, 20 February 1995
This annual FT meeting, the tenth in a highly successful series, will focus on block exemption, examine the changing relationship between vehicle manufacturers and dealers and address the issue of competitiveness in the automotive components sector. Speakers include: Professor Garel Rhys OBE Standard-6-&Math&MeinHPLASIII.PRS5-Cardiff Business School; Str Trevor Chinn CVO, Lex Service PLC; David Nicholas, Unipert Industries; Rich Van Leauwen, Ford Credit Britain and Gérard Chiffert, Rockwell Automotive Light

CABLE, SATELLITE AND NEW MEDIA London, 27 & 28 February 1995 The Financial Times' 14th annual co

The Financial Times' 14th annual conference is being held at a critical time when the vision of the new media is turning into neality. The conference will offer insights into the latest developments both in the context of business and investment implications and the context of technology. Speakers include: Mr Barry Splkings, The Pleskow/Spikings Partnership, USA; Mr Michael Schrage, Massachusetts Institute of Technology; Mr Robert Phillis, British Broadcasting Corporation; Mr Stephen Davidson, TeleWest Communications pic and Mr Marc Tessier, Canal +.

WORLD STEEL INDUSTRY London, 6 & 7 March 1995

London, 6 & 7 March 1995
This London conference arranged in association with CRU international, will bring together a distinguished penel of speakers from around the world to share their views on the key questions facing the industry. The industry's structure will be of paramount importance, to what extent should Europeen producers form their own alliances or mergers to create a truly international industry? Will privatisation finally lay the subsidies issue to rest? What technology will steelmakers use to echieve the growth they are seeking? Speakers who will be taking part include Mr Brian S Moffet OBE, British Steel pic; Mr Robert J Damell, Irland Steel industries Inc; Mr Karel Van Miert, European Committee of the provide Mr European Comm Mr Francis Mer, Usinor Section and Mr Robert A Garvey, North Star Ste INDIA'S ECONOMIC RENAISSANCE- OPPORTUNITIES FOR TRADE

Given the breadth and pace of economic reform that has taken place in India since 1991, this High-level FT forum will provide a unique opportunity to review the government's liberalisation programme and assess business and investment prospects. The meeting will also consider india's competitiveness in world markets and look at the challenges of improving the country's

WORLD PHARMACEUTICALS CONFERENCE London, 20 & 21 March 1995

London, 20 & 21 March 1995
This year's conference, arranged jointly with Coopers & Lybrand, takes as its theme "evolving from pills to healthcare - realizing the ambition". As governments worldwide seek to contain healthcare costs, the marketplace has become more competitive for R&D-besed pharmeceutical majors. Many are now looking at new ways of working with the healthcare purchasers, whether in the US free market environment or in European-type social systems. Leading figures will outline their vision and strategies for moving from being pharmaceutical product-based compenies to becoming "healthcare" players.

MARKETING PROFESSIONAL SERVICES '95

London, 19 & 20 April 1995 The Financial Times and Professional Marketing International bring together an internationally renowned line-up of expens and leading edge prac Internationary renowned and-up of expens and reasoning coge practicioners to examine the specific skills required by professional firms in meeting the needs of particular types of clients. The first day is devoted to an interactive point of contact sales masterclass, examining the process of carrying marketing contact through to the actual sale. The seminar will address the specific selling lechnique that works best for accountants, lawyers and other professions Highlights of the second day include a debate on the findings of an exclusive benchmarking survey to establish best practice in client development worldwide; reflections from Sir Bryan Carsberg of the Office of Fair Trading on a decade of deregulation in the professions; and Professor Jack Mahoney of the London Business School on reconciling professional ethics to a market facing culture. A series of workshops, focusing on strategy/planning, client ssions on developing the skills required in marketing to charity, public sector, manufacturing/consumer, property and financial services sector clients. The Congress concludes with a dinner and presentation of the prestigious

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International bonds

Mexico takes the shine off Bradys

The new year started badly for investors in Brady bonds. With traders barely back at their desks after the holidays, prices resumed the downward slide triggered by Mexico's devaluation last month.

On Tuesday and Wednesday last week, prices of Bradys bonds issued in exchange for restructured government commercial bank debt - fell by nearly 5 per cent, according to the J.P. Morgan Brady Bond Index, which measures total returns (both capital apprecia-

tion and interest earnings).
Prices recovered somewhat later in the week but even so, since December 19 the index has fallen by 9.9 per cent. And since February last year, when short-term US interest rates were first increased, Bradys have dropped by 19 per cent. Mexico again sparked the

selling last week. Following the announcement of new economic measures by President Zedillo on Tuesday, investors remained unconvinced about the country's ability to repay some \$16.9bn of Tesobonos short-term dollar-linked bonds - which mature in the next few months. Mexico's bonds declined by 4.72 per cent (as measured by the index) in trading on Wednesday.

nervousness proved contagious and other markets suffered. Latin American Bradys were bit hard, with fearful US fund managers seemingly oblivious to any difference in national circumstance or policy. "Mexico blocks out the rest of Latin America from their view." said Ms Ingrid Iversen, senior economist at Morgan

Grenfell Emerging Markets. Elsewhere, Nigerian Bradys, which fell by 25 per cent in 1994, lost 4.2 per cent on Wednesday and east European debt was also dumped. Prices of Russian paper, Vneshekonombank dollar debt, slumped, with concern over the fighting in Chechnya and scepticism about the country's ability to meet payments on its foreign debt helping to prompt sales. The non-payment of a \$100m instalment of interest arrears expected by the end of 1994

caused special concern. Traders now argue that prices are cheap and towards the end of the week there was some evidence of activity by "bottom fishers". Yet there is little confidence that the market has yet reached its lowest point. Many would-be buyers will wait for signs that the rally which helped lift some

Like last month, investors' prices on Thursday and Friday re-enter the market.

Even its biggest enthusiasts concede that the market faces some difficult months ahead. and uncertainty in Mexico will continue to cast a shadow over prospects. Nevertheless, amid this gloomy scenario, investors should note two things: First, although Mexico has dragged the rest of the market

down in recent weeks, not all Bradys have been hit equally and the shake-out has produced a significant revaluation of paper from different countries. Last month, the yield spread of Polish over Mexican par bonds was 147 basis points. The relative valuations of the two assets have now reversed. On Thursday evening, Mexico was trading at 214 points over Poland. Meanwhile, between December 19 and January 5 the spread of Argentine and Brazilian par bonds over Mexican pars narrowed from 397 to 275 basis points and from 458 to

227 points respectively. Mexican par bonds are likely to lose their benchmark status for the sector, possibly in the longer term to Brazilian paper. And many expect these differences to become more accentuated in the coming weeks.

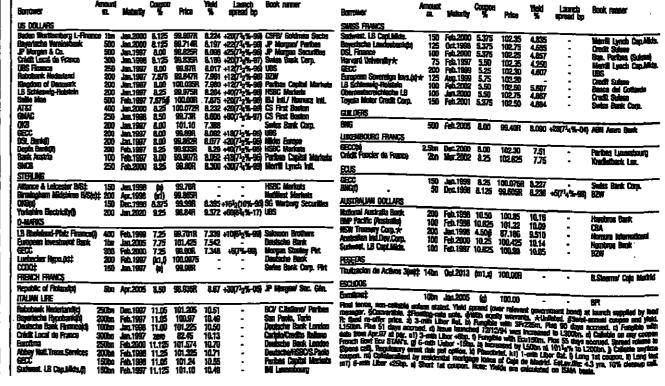
prices on Thursday and Friday
can be sustained, before they
the similarities between Mexican and Argentine macrosco nomic policy have been everplayed. Like Mexico, Argentina has a sizeable current account deficit and what many consider an overvalued currency.

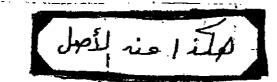
However, Argentina's deficit is a smaller percentage of GDP than Mexico's and - unlike Mexico - it is legally obliged to maintain the parity of its currency with the US dollar, in addition, foreign investors own a much smaller amount of Argentina's domestic debt than Mexican debt, leaving Argentina less vulnerable to speculative pressure.

 Second, an important effect of the crisis has been to show that prices of Brady bonds do not necessarily rise or fall in line with US Treasury bonds, as seemed to be happening early last year when both classes of asset moved down in tandem following the increase in US interest rates in February. On December 19, Mexican par bonds had been trading at a yield spread of 461 basis points over 30-year US Treasuries. By January 5, the spread had widened to 850 basis points.

Richard Lapper

NEW INTERNATIONAL BOND ISSUES





4

EQUITY MARKETS: This Week

Waiting for the next rise in interest rates

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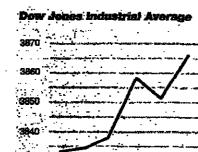
Although today marks the beginning of 1995's first full week of trading, the questions on investors minds are the same ones they have been asking since the middle of 1994: When will the Federal Reserve raise interest rates and

hand at the large to have been settled on Friday, when to have been settled on Friday, when In fact, the question of timing seems to the mark and by the Labor Department reported Minimality, somethy graces of the fit is expensed three factors and somethy extremely and somethy unemployment at its lowest in four years. The data reinforced the consensus that there would be further tightening at the January 31 to February 1 meeting of the Fed's Open Market Committee.

breker links of Such widespread agreement that another rate increase is imminent Mary took to the day should have dampened enthusiasm on Wall Street because tight money puts pressure on earnings by lowering spending and increasing the price of corporate borrowing. Still, the market moved ahead solidly on the news.

As to the question of how much, the consensus still holds that the Fed is most likely to raise rates by 50 basis points at it next meeting, but there is a growing feeling that the strong jobs data might push it to do more.

Some believe the Fed will replicate its November 15 move and raise rates by 75 points, which could put an end to weeks of insecurity in the market. Many are hoping that a large move by the Fed would mean the current tightening cycle - in which short-term interest rates have soared from 3 per cent at the beginning of 1994 to the current 51/2 per cent - was almost over. This week may bring a continued boost for cyclical stocks as companies



- 29 Dec Lisa Bransten

January 1995 6

begin reporting earnings for the fourth quarter of 1994. Many analysts expect big increases for manufacturing companies in part because growing output has not yet brought rising wages. Last week's low unemployment figures were accompanied by news that wage inflation for the year stayed under 3 per cent.

In terms of data, investors will be looking to three important measures of December economic activity to be released later this week: the Producer Price Index tomorrow, the Consumer Price Index on Wednesday and retail

November CPI remained below 3 per cent despite gross domestic product growth close to 4 per cent. Most analysts think CPI growth will pick up. Expectations are that the December figure will show growth of about 0.3 per cent in the core rate, and the rate excluding the volatile food and energy categories.

As for December PPI, analysts believe it will show a rise of close to 0.3 per cent for both the core rate and excluding food and energy. December retail sales are expected to moderate after November's 1.2 per cent growth. Analysts expect the figure to come in around 0.7 per cent.

LONDON

Prospects brightening as trade recovers

The first week back after the holidays saw the stock market yawning with boredom. There were plenty of individual features but trading volumes only slowly began to recover to more normal levels and even the movement in market indices never seemed to achieve conviction.

It may be that we are all doomed to a tedious repetition of factors which subdued the market last autumn: a fixation on interest rate prospects and a consequent obsession with all statistics on the US and German economies. Certainly, London soon decided last week that Friday's US employment data and prospects for the next Federal Reserve Open Market Committee

meeting were the points to watch. Rule-of-thumb predictions were becoming quite clear by the end of the week. Interest rates are going up, probably beginning with a move by the Fed at the end of the month. Since a quarter or even half-point move in Fed rates has almost certainly been discounted by global markets, only a three-quarter points rise will do, according to London strategists.

analysts were refining their opinions and taking a more sophisticated view. Interest rate rises have been well built into share prices and markets may take the announcements in their stride. Wall Street showed no signs of interest rate crisis phobia last week and London, for all the rumour-mongering ahead of the US payroll numbers, was hardly under pressure. It could be that the UK market, while remaining subdued until the FOMC meets, will

However, by the end of the week,

F.T-SE-A Alt-Share Index 1,515 1.510

Terry Byland

then respond to deeper investment

Source: FT-Graphite

fundamentals. The near-term outlook may be better than it at first appears. Trading volumes are recovering quickly from the holiday. Numbers of shares traded remain short of average totals, but the value total of daily customer, or outside investor business, has returned to the £1bn range, hardly indicating a snineless market

Dec January 1995

The market, or rather the FT-SE 100 Share Index, has been overshadowed by corrective phases in pharmaceuticals and regional electricity stocks. Turbulence in drug stocks has focused around Wellcome and should blow itself

In the case of the Recs, takeover excitement has been tempered by conviction that the Trafalgar House bid for Northern Electric is heading for review by the Monopolies and Mergers Commission. This could blow away a little speculative froth, but it is hardly a

reason for shying away altogether. If the optimists are right, the 800 point differential between the FT-SE 100 Share Index and the Dow Jones Industrial Average will soon be recognised as a traditional buying signal. So, it could be a happy new year

Depositary receipts

Global demand for capital heralds further growth

After a record year, the market for depositary receipts is expected to continue growing strongly in 1995, spurred by the ever-increasing globalisation of the world's equity markets.

And while the sector - a large proportion of which is made up of programmes from companies in developing nations - may be overshadowed sporadically by emerging-market upheavals such as the Mexican crisis, the long-term outlook is buoyant.

We see no reason why the ADR business should not continue to grow, and don't see the market being harmed" by the current problems in Mexico, says Mr Joseph Velli, head of worldwide securities processing services at Bank of New York.

With huge markets set to open in Russia and China, and US investors keen on diversifying their equity portfolios, he is confident "we will have another good year - although it will be hard to top 1994 in

percentage terms". A depositary receipt represents ownership of shares which remain in safe-keeping with a bank in the issuer's home market. The receipt itself may be traded elsewhere. Dividend payments are usually in US dollars, and voting rights are usually the same as for the

There is little difference between a global depositary receipt and an American depositary receipt, although ADRs tend to be listed on a US stock exchange while GDRs are often listed in Luxembourg and increasingly in London.

According to Citibank, 285 companies from 43 countries launched DR programmes last year, up from 152 in 1993. Capital raised rose by 81 per cent, exceeding \$20bn. And the volume of ADRs traded on US exchanges hit a record 7.2bn, a 16 per cent increase

In a survey of US investment institutions, conducted last autumn by Broadgate Consul-tants in New York, 90 per cent of respondents said a listed ADR programme makes a foreign company more appealing as an investment opportunity. "Overwhelmingly, US inves

tors prefer dealing in ADRs rather than in the straight stock," says Mr George Avril, Broadgate's managing director. "ADRs trade and pay dividends in US dollars, information is more readily available, people don't have to worry about settlement - it makes it a beck of a lot easier to trade in foreign equities."

On the supply side, continued corporate and government demand for capital, especially in developing nations, heralds further expansion. In 1994.

repeat past performances? Mr Tom Hill, strategist at

S.G. Warburg in Tokyo, says

has yet to be established, he

expects share prices to gain

that while a historical pattern

emerging market companies issued the majority of new programmes; according to Citibank, they accounted for 56 per cent of the DR programmes launched and for 66 per cent of the total capital raised.

"The emerging markets are grabbing an increasingly large slice of the overseas investment pie," says Mr Mark Bach, Citibank's global head of DR sales. "In the 1990s, they have accounted for nearly 17 per cent of all US investor purchases of foreign stocks, up from just over 4 per cent for all of the 1980s."

Observers expect India, where companies raised over \$2bn in 1994, to remain an active market, but heavy demand for capital is also expected from Asia and Latin America.

Central and eastern European companies are expected to raise their profile; the first Russian ADR application was filed in November, and in Poland there are plans to allow companies listed in Warsaw to issue ADRs.

While investors are bullish about central and eastern Europe's economic prospects, its markets are small and illiquid and settlement can be cumbersome, so ADRs will facilitate access to them.

Conner Middelmann

and the threat of US trade

Rising interest rates, fed

through from the US via the

prices for much of last year

and brokers expect the same

through the first half of 1995.

currency link, depressed stock

sanctions against China.

OTHER MARKETS

ZURICH

Swiss bank shares are likely to stay in the headlines this week, thanks mainly to Zurich's maverick broker-fund manager Mr Martin Ebner,

writes Ian Rodaer. Union Bank of Switzerland has been hogging the limelight because of the epic struggle over its governance between the board and its largest shareholder, Mr Ebner's BK Vision investment fund. This week BK will probably file formal legal challenges to the bank's plan to unify its share structure, adding to investor

Meanwhile, Swiss Bank

ويخطأونه

following blunt comments by the chairman on its 1994 performance. On Wednesday and Thursday, Mr Ebner's BZ Bank was seen to be an enthusiastic buyer of both the bearer and registered shares,

setting off a flurry of rumours.
Some thought that BZ was warehousing the shares for a bidder for the weakest and cheapest of Switzerland's three big banks, perhaps Deutsche Bank or Commerzbank or Allianz, the German insurance group; After all. wasn't it BZ that put together a 31 per cent block of Berner Holding last June for Allianz?

Others said that BZ was buying for its alling sister, BK Vision, which was said to be seeking to offset losses on its

huge UBS stake. Or maybe BZ was simply being opportunistic, as SBC shares looked cheap.

> Whatever the case, Mr Ebner was also showing that, even though both his wallet and his Midas reputation have been badly damaged in recent months, he can still stir up the Swiss market.

MADRID

The market faces another politically charged week. although NatWest Securities notes that the index's initial move upwards, after the Bank of Spain's decision last week to raise rates, suggested that there were few ready sellers at

MILAN

The market returns from a long holiday weekend hoping for fresh progress this week to resolve the increasingly acrimonious political crisis.

Many investors speculated that the president's bout of flu last week, which halted his search for a solution, might have been more of a diplomatic than a medical condition. Analysts suggested that Mr

Oscar Luigi Scalfaro might have been awaiting the ruling, expected this week from the constitutional court, on electoral reform which would effectively rule out the snap election in March demanded by Mr Silvio Berlusconi, the prime

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Instead, it makes more likely the installation of a so-called

institutional government. headed by a non-political figure, which is the equity market's favoured solution. The market, itself, came

under some pressure towards the end of last week. Mr John Stewart at InterEuropa in Milan noted selling of blue chips that had performed best over the previous fortnight and suggested the market might be encountering a technical correction that would leave it 3 to 4 percentage points lower.

The banking sector has returned to focus amid speculation that Credito Italiano could be a bid target for the unquoted Cariplo, its rival bidder for Rolo.

TOKYO

underlying stock.

Investors seeking clues to the likely course of the Nikkei index this year may look back over the last two years, when the seasonal movements demonstrated a marked similarity, writes Emiko Terazono.

For both 1993 and 1994, the index had a good first quarter. a dull summer, a weak autumn and a brief rally at the end of

During the period, shares were depressed by profit revisions in the corporate earnings seasons and by extra supply from the flotation of formerly government-owned enterprises

So will the first 1995 quarter

ground over the the next three months. "It won't be a sharp rise, but the index will probably move up bit by bit,"

HONG KONG The Hang Seng index, which

lost 6.2 per cent in the year's first short week of trading. opens today with an eye on the US, writes Louise Lucas. The driving concerns in Hong Kong

are fears of rising interest

rates, and their effect on the

all important property market.

The threat of a Sino-US trade war, sparked by intellectual property rights concerns, has

fears to dictate trading

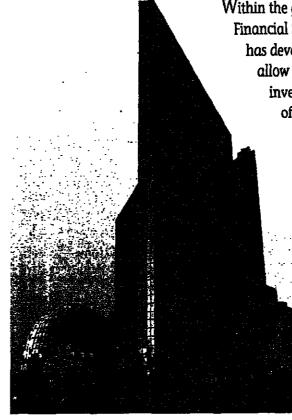
already ripped into share prices, with companies manufacturing targeted products and China plays among the worst affected. China has threatened a tit-for-tat response and by Friday the index had sunk to a 15-month low.

Compiled by Michael Morgan

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■ TOMORROW Apollo Metals Cm Pf 4p Banco Bilbao Viz. Pts38.0 BB & EA 5.5p Copymore 1.7p CPL Aromas 1.2p Fluor \$0.15 Guinness 21/2% Cv Nts '97 IR£1250.0 Henderson Admin 13.5p Leo 1 Class B FRMN '35 22067.64 Leo 2 Class B FRN '32 2206.76 Lothbury Fdg No.1 A1 FRN '31 £1302.75 Do Class A2 £1597.40

Policy Portfolio 2p Scottish Value Tst 1p VTech (Lon) \$0.015 Do (Bermuda) \$0.015

■ WEDNESDAY JANUARY 11 Barclays Und FRN \$277.92 Birkby 2p City Merchants High Yld Tst

Colleteralised Mort. Sec No.11 B FRN '28 £190.88 CSR A\$0.14 Gleeson (MJ) 10.81p Metropolitan Est. & Prop FRN 195 Y124583.0 Powell Duffryn 8p Property Partnerships 2.7p Warburg (SG) FRN '06 \$277.92

THURSDAY JANUARY 12 Body Shop 0.9p Conversion 9% Ln '11 £4.50 Conversion 91/2% Ln '01 £4.75 Caisse Fran. de Dev 124% Gtd Ln '13 £306.25 Cleveland Tst 2.4p Clyde Blowers 3p Edinburgh Inc Tst 1p European Motor 2p

Highland Distillerles 5.5p Kwik Save 13.5p Lon & O'seas Freighters \$0.0025 MBE Fin Ser.B Gtd Bd '01 \$291.33 Penna 1p Perpetual 25p 600 Grp 0.5p Spandex 0.75p Standard Chart Und Cap FRN \$302,45

Do Und Cap FRN (Ser.4)

Yeoman Inv Tst 6.4p

\$276.00

THE WEEK AHEAD

FRIDAY **JANUARY 13** Anglo Am Corp S.Africa R1.10 Bradford & Bingley Building Society FRN '97 £150.62 Do FRN 1998 £152.81 British Inv Tst 2.1p Caffyns 8p Castings 1p Chrysler \$0.40 Commonwealth Bk. Australia FRN Jul. 98 \$274.72 Do Jul.1999 \$274.72

Do. Und FRN (Jul.1988)

Cropper (James) 1.1p Dart 1.5p Dioloma 9.5p EMAP 2.5p Hadleigh Inds 1p Hongkong & Shanghai Bank Prim Cap FRN \$73.47 Ingham 1.75p Jarvis Porter 1.9p Johnson Fry Utilities Tst 1.720 Johnson Fry Sec. Utilities Tst

1.5p

\$156.53

Macdonald Martin Dist. A 2.5p Do B 1,25p Morgan (JP) \$0.75 Nat West Bank Prim Cap FRN Ser.A \$284.31 Royal Bank Canada Government Starling Fund Ptg Pf 1p RPC 1.1p Sime Darby M\$0.165 Southnews 1.35p Tiger Oats R0.54 Unitas Var Rate Nts 2000

Vistec 0.125p ■ SATURDAY JANUARY 14 Funding 31/2% 99/2004 £1.75 Treas. 13% 2000 £6.50

SUNDAY JANUARY 15 Agricultural Mort. 51/1% Do 93/ 9Š £2.75 Am. Medical 9%% Un Ln '11: £4,9375 ASH (Jersey) 91/2% Cv Bd.

2006 4.75p Barclays 12% Un Ln 2010 28.0 BCE C\$0.68 Treasury 91/2% Ln '99 £4.75 Churchbury Ests. 4.2% Pf.2.1p Edin. Inv Tst 34% Db '98 £1.875 Franklin Res \$0.10

'16 £5.1875 Helical Bar 2.625p Lazard High Inc Tst 1.6p Murray Int Tst 3.9% Pf 1.95p Next 5%% Bd 2003 5.75p North Surrey Water 4% Do 22.0

Do 4¼% Db £2.125 Do 5¼% Db £2.625 Occidental Petroleum \$0.25 Pacific Gas & Elect \$0.49 Quebec Central Railway 52.50 Sweden 11% Ln 2012 £550.0

Witan Inv 3.4% Pf 1.7p

UK COMPANIES

TODAY COMPANY MEETINGS: Save & Prosper Linked Inv. Tst., 1, Pinsbury Avanue, E.C., 3.00 BOARD MEETINGS:

Berr (AG) French (Thomas) Ellis & Everard

■ TOMORROW COMPANY MEETINGS: Carr's Milling, Crown Hotel, Wetheral, Carilsle, 11.30 Perpetual, Phyllis Court, Henly-on-Thames, Oxon, 12.00

BOARD MEETINGS: M & W Osprey Comm Quality Care H

Stakis

Do Class B £1799.04

National Power 4.35p

Philip Monts \$0.825

■ WEDNESDAY JANUARY 11 COMPANY MEETINGS: Fenner, Vikina Hotel. North Street.

York, 10.30 Gleeson (MJ), Haredon House, London Road, North Cheam, Surrey, BOARD MEETINGS: Exmoor Dual lov Tet Irish Cont Southern Bus Banics (Sidney Cl

Cray Elec Dalepak Foods Dixons

PSIT VHE Hidgs

III THURSDAY JANUARY 12 COMPANY MEETINGS: Bridport-Gundry, Chartered Accountants Hall, Moorgate Place, E.C., 12.00 Euromoney Publications, Stationers Hall, Ave Maria Lane, E.C., 9.00 Poreign & Cotonial PEP Inv. Tst., 8th Floor, Exchange House, Primrose Street, E.C., 11.00 McLeod Russel, Institute of Directors, 116, Pall Mail, S.W., 11.00 Royal Bank of Scotland, Balmoral Hotel, 12.00

Sycamore Hidgs., Dennis House Marsden Street, Manchester, 11.0

BOARD MEETINGS:

Coda Denmana Elec Hawtin Lonrho Microgen

Rank Org Securicor Grp Security Services Throgmorton Pf Inc Tst Willoughby's Cons Interims

Black (Peter) Gibbs Mew Goode Durrar Jones Stroud Jury's Hotel

Ryland Grp

M FRIDAY
JANUARY 13 COMPANY MEETINGS: Faber Prest, Staids St. Ermins Hotel, Caxton Street, S.W., 12.30 BOARD MEETINGS:

Delian Lloyds Inv Tst

Company meetings are ennual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

CONFERENCES & EXHIBITIONS

Presentations for Professionals

by Professionals ing skills in a West End theatre. Businessmen, designers, acrors and stand-up comedians will stow you how to galvanise audience attention; ensure impact and memorability; create selling slides; use the memorability; create selling slides; use

Tel: 0171 251 5053 Pax: 0171 490 0566 LONDON

JANUARY 17 Latin American Heads of Mission CBM/CO/DTI conference brings together all Responsibilities and Proced British Ambassadors in Lutin America to The Criminal Justice Act has pla provide latest analysis on export and avestment opportunities in this major growth market. Opportunities (or individual meetings with Ambassadors, DTI Export

Contact: Sandra Aldred, CBI Conferences Tel: 071 379 7400 24 hr FAX-ON-DEMAND: 071 240 1248

JANUARY 19 Countdown to the Environment CBI conference considers affects and

rs on companies with establish

Regulation Author Contact: Nicola Martin, CBI Conferences Tel: 071 379 7400

24 br FAX-ON-DEMAND: 071 240 1248

JANUARY 24

Private Finance Panel The conference will review Private Finance Initiative progress, by prospect and by issue, to point to precedents established and ctures developed, Chairman, Sir Alastair Kenneth Clarke, speakers include Pen Kent

Tel: 0171 222 2866 Fax; 0171 222 3470 LONDON

JANUARY 24 -25 Introduction to Derivatives in

narkets. Currency Options, SAFE's, FRA's. Futures, Interest rate swaps and related

Lywood David International Ltd.

JANUARY 24-25

Re-engineering the IT Function: Re-eligning IT culture, capabilities and skill lo deliver radiçal business performu conference of leading experts and rs which explores the introduction SIB Update: enforcer organisation and management structures to or PIA/LAUTRO members - current issue mable IT to play a key role in transforming training and competence, handling the

Contact: Business Intelligence CPD 5.5 hours. Tel: 0181 543 6565 Fax: 0181 544 9020 Contact: Philippe

JANUARY 26 An Inside Guide to Management

This sentinar held jointly by Binder Hamlyn and Herbert Smith will provide an overview

Enquiries: Julie Williams at Herbert Smith Tel: 0171 374 8000

JANUARY 26 - 27 Risk Management Workshop

ratives - FRA's, Swaps and lustion techniques. Sensitivity, Benchmarking, Ratings, Provisioning; Monitoring and Managing Exposures, Portfolios, Regulatory nt, the "Risk Cycle". £395 2 Days raining, Tel: 0171 329 0595.

techniques in practice, as well as the possible problems encountered in real life scenarios. 823 8740 Fax: 0171 581 4331

JANUARY 30

Money Laundering - The Law, Responsibilities and Procedures Identification, Regulation, Responsibilities and the Role of Supervisory Bodies with focuses on the critical nuts and bolts of the Practical Examples, £225, 1 day. Contact: Fairplace Banking & Financial

JANUARY 31 - FEBRUARY 1 Correspondent Banking An introduction to the role of the ondent banker. Exploring marketin munities, relationships, products and isk assessment. Relationship Develop single Agency combining key pollution control functions of HMIP, NRA and Waste and Supervision; Risk Analysis and Control; Credit Ratings, Marking, Reviewing Limits; Income Generation - Trade Finance, Funds

Foreign Exchange Training in Spot and Forward forex dealing for traince/junior dealers and Corporate treasury personnel. Highly participative course including WINDEAL (PC Windowsbased dealing sumulation). Training effected by prestitioners by practitio ence, £520 + VAT.

FERRUARY 2

impact of the growth of derivatives or LONDON

> Tel: 0171 832 9737 Fax: 0171 353 2791 LONDON

Regulation 1995 - Practical Compliance for IMRO, PIA/LAUTRO of new strategies, development of new pension transfers. Parallel sessions for IMRO Regulator. Law Society CPD 5 hours. PIA

> LONDON Tel: 0171 637 4383 Fax: 0171 631 3214 FEBRUARY 7 - DECEMBER 1 Financial Awareness for

Delegates will have the chance to talk in an management accounting and business open forum or on a one-to-one basis with analysis. Delegates receive a copy of the speakers, partners and financiers on a Certified Diploma Open Learning Confidential basis.

Foruming to life Williams at Harbert Smith Programme - a comprehensive across page up to finance and accounting for the non-UK companies.

Contact: Hazel Reddin

Contact: Karen Morris, ACCA Tel: 071 396 Tel: 091 235 7297 Fax: 091 235 7288 5722 (24 hours)Fax; 071 396 5790 LONDON

FEBRUARY 7

conomic Presentation Block Exemption: Europe's New Order for nist Sudhir Junankar, editor of the Car Retailing CBI Economic Presentation

Contact: Fairplace Banking & Financial
Training Tel: 0171 329 0595.

Contact: Georgica Kingaby CBI Conference
Training Tel: 0171 329 0595.

Tel: 0171 379 7400 Fax: 0171 497 3646

JANUARY 26 & 27 Valuing International Companies Practical Capital Tax Planning
This event is held in response to ever for the Advisers of High Net

LONDON

duties and responsibilities on individuals. banks and other financial institutions. This The Evolving UK Programme and its one-day course will address Definition, International Context. This conference,

Training Tel: 0171 329 0595

Contact: Fairplace Banking & Financial LONDON Training 0171 329 0595 LONDON

JANUARY 31 -FEBRUARY 1

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Impact of Derivatives on

senior representatives from LIFFE, SOFFEX, London Stock Exchange, J P Morgan Securities Ltd, Union Bank of Switzerland. Deutsche Borse AG and Banque de Frunce. Contact: Arielle Savona, Dow Jones Telepate

FEBRUARY 6

Over 10 1-day tutorials this course cover interpretation of financial statements investment appraisal, working capital

provide an opportunity to analyse and debate and distributor and address the question of

Worth Individuals Key talks include: Inheritance tax planning; Variations; Capital Gains Tax Reliefs, Tax

Remittance Planning, Captial Gains Tax - Pre Sale of Plotation Mitigation Techniques; Pre Contact: Acquisitions Monthly - Tel: 0171 March 1991 Trusts; and Revenue Clearance Conner: Vicki Goffin, IBC Legal Studies and Services Limited Tel: 0171 637 4383 Fax:

organised by OFTEL and FT Conferences.

LONDON

0171 631 3214 LONDON

competitive regime as it goes into its second decade and how OFTEL proposes to ensure interconnection arrangements in the UK

Tel: 081-673 9000 Fax: 081-673 1335

FEBRUARY 8 The Growing Business: Lessons for Entrepreneurs

entrepreneurial approach to company development and the effectiveness of entrepreneurial behaviour in today's business environment. Each ression will be addressed by an entrepreneur and an adviser theory and reality of running a small, fast

owing company. zitute of Directors 0171 730 0022 LONDON

FEBRUARY 14-15 Selling Skills for Treasury Staff course The Selline Skills for Treasury Staff is roduce the subject of sell ers with many years marker techniques to corporate dealers and customer services people. The course looks at the need to empathise and then identify nd Ltd. Tel: 01959 the most appropriate products. The linking of products to the customers situation.

> Tel: 0959 686820 Fax: 0959 565821 LONDON **FEBRUARY 15** Still Protecting the Media
> One day conference. In association with
> Richards Butler. A practical guide to breach

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of confidence, contempt, copyright and libel. Fundamental changes in running libel actions; insurance cover and regulation; civil liberties, EU directives and the media; the role of the Commissions in the future.

LONDON Credit-Training Workshops Thomson BankWatch, Inc. leader in global bank risk analysis, is running a series of credit training workshops. Topics being

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covered are: Emerging Markets Sovereign Risk Analysis, Latin American Banks, Introduction to Banking Systems and Banks Emerging Markets of Asia. For full details please contact Terry Branne 0171-353 5548 or Fax: 0171-815 0408

Major Overseas Projects
A one-day seminar on the AlpTransit tunnels, the Oresund bridge and runnel, are flying in to present the opp

FERRUARY 20 FT London Motor Conference

CBI's Economic Situation Report, considers The conference will focus on block the prospects for growth and the outlook for exemption. consider the changing inflation in 1995. An Open Forum will relationship between vehicle manufacturer competitiveness in the components sector. ricies Financial Time

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Re-engineering, Enhanced 1995 programme A timely overview outlining the ber includes new sections on self-managed Internet services to the profession teams and radical BPR. Coaching style of presentation. Based on 150 successful BPR of Iternet products and services, polynomials of Iternet products and services, polynomials of Iternet products and services. Planning for the Non UK Domicilary: rojects. 60 organisations in the private & ic sectors attended in 1994. Repeated March 30-21.

Contact: Richard Patris, Vertical Systems Intercede Ltd. Tel: 01455-250266 Fax: +44

FEBRUARY 21 EC Competition Law Workshop Failure to take EC law into account co cost many millions of pounds in fines. cost many minitors of pounds in times, together with the possibility of substantial claims in damages by third parties suffering loss. This workshop provides a comprehensive and practical introduction to

Contact: International Professional Tel: 0161 445 8623

LONDON FEBRUARY 22 Incorporation of Professiona Practices - The Sensible Way

Foward? 1997 taxation changes; protecting assets reducing liabilities; professional indem for senior partners, managing partners, tax partners, finance partners and advisers. CPD 5 hours. Contact: Athina Bradley IBC

Tel: 0171 637 4383 Fax: 0171 631 3214

FEBRUARY 22-23 Pay Appraisal and Career ical guide to the latest techniques for A pictural ginuse to the latest techniques for achieving eccellent employee performance in the delayered organisation. This important two-day conference explores bow to radically improve your business performance by linking individual targets to corporate objectives through effective and motivation systems. Contact: Business intellig

Tel: 0181 543 6565 Fas: 0181 544 9020 LONDON FEBRUARY 24 the House of Lords' Decision
This conference will cover the following

issues: Employees after Paramous Consequences for Insolvency Profesiona The Practical Effects; Receivership a Administration Expenses; Liabilities for nutrificing with Contracts and Personal Contact: Sarah Avian, 1BC Legal Studies

Tel: 0171 637 4383 Fax: 0171 631 3214 **FEBRUARY 27** Risk Manag Europe and the FSU MARCH 6

day workshops, will provide a practical sment of the sort of proble companies operating in the former East Contact: The Royal Institute of Inte-Affairs. Tel: 071-957 5700 x 298, Fax 071-321 2045. **FEBRUARY 27 & 28**

With the use of case-studies, these two one-

alliances and mergers that corporations are setting up, the potential of new technologies setting up, the potential of new technologi and the increasing choice of programmes. Enquiries: Financial Times Tel: 081-673 9000 Fax: 081-673 1335 LONDON

telecommunications, computers and

entertainment. It will also examine the new

The forum will look at the conve

FEBRUARY 28 - MARCH 1 CTI and Beyond move ever closer, Computer Telephone Integration is becoming relevant to almost s becoming relevant to almost isation. This seminar includes thregands is becoming the rank to another every organisation. This seminar includes case studies of desers of CTI technology, and overview of the technology and future of CTI, and examinations of CTI Contact Unicom Seminars, 0895 256 484, fax 0895 813 095

Trawling the Internet: The

Fleming Int High Inc Inv Tst.

Commercial impact and A timely overview outlining the benefits of Internet services to the professional and commercial organisation. Users and vendors computer multination ıals explain their strategy and vision of the future. Contact Unicom Seminars, 0895 256 484,

fax: 0895 813 095 LONDON LONDON MARCH 2

Managing New Product ent for Business Turnaround One day confere management is fundamental to the manufacturing process. Organised by the Design Museum and sponsored by the DTL Contact: Conference Secretarial: Northern

Tel: 01625 502600 Fax: 01625 502900 MANCHESTER

MARCH 2 & 3 Shopping in Cyberspace & Publishing for profit on the Internet convergence multimedia techno changing the worlds of publishing and commerce. Key players explain how home shopping networks are influencing different retailers and consumers; and how the cybermedia (the Internet) is revolut the publishing industry.

the publishing industry. Contact Unicom Semi fax 0895 813 095 LONDON

MARCH 6 & 7 The aim is to bring together speakers from around the world to share their views on the key questions facing the steel industry such as its fature structure, alliances and mergers. on and new technology.

MARCH 7 Elements of Regulation One day introduct ion to regulatory issue Demands no prior experience. Considers techniques of utilities regulation and other sectors. Topics covered: price controls;

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franchising; enforcement; cost of capital; regulating quality of service.

Contact the LSE continuing and

Business Performance

asuring and managing the drivers of are profitability. This two-day conference future profitability. This two-day conterence explores relevance and practicality of

as customer satisfaction, quality Tel: 0181-543 6565 Fax: 0181-544 9020

LONDON MARCH 9 - 10 Financing Cross-Borde Acquisitions

faced with unsettion immensions factorating currencies and interest rates, acquirors need to be creative and well informed when devising a financial structure for an acquisition. This workshop a financial structure for an acquisition. will guide you through the intricacies of this process and provide practical tips for For further details contact Acquisitions Monthly Tel: (0171) 823 8740

LONDON

Repeat of Sell Out Event. One day conference. FRS; FRED 5; Off Balance Sheer Finance; SSAP 24 - Accounting for Pension Costs; Fair Values; Mergers Aconisitions and Goodwill: Related Party Transactions; Big GAAP/Little GAAP; Urgent Issues Task Force and Review Panel; Cadbury and ASB's Operating and Financial Review. CPE 16 points. Contact: Philippa Hartrall IBC Tel: 0171 637 4383 Pax: 0171 631 3214

Annual Company Report -

MARCH 13

Buying and Selling Unquoted

and acquisition strategy; structure an offer; initiate the process of presenting a company for sale; understand the due diligence sess; understand the taxation and legal issues; and how to structure alternative Contact: Sarah Avian, IBC Legal Studies

and Services Limited Tel: 0171 637 4383 Fax: 0171 631 3214

MARCH 15 Valuations Workshop This interactive workshop will cover all aspects of company valuation techniques including an understanding of the relationship between discounted cashflow, P/E ratios and assets. An afternoon case study is designed to give delegates practical

hands on experience of analysing and proceeding a valuation. Contact: Sarah Avian, IBC

Tel: 0171 637 4383 Fax: 0171 631 3214 MARCH 16 How to Conduct Planning Appe The Planning and Compensation Act 1991 and new policies emerging from centra government have created scope for conflict een developers and plan which could lead to more appeals and inquiries. This conference is designed for those involved in the planning process. Contact International Professional

Conferences Ltd. on 061 445 8623.

MARCH 19 - 31 Retali and Wholesale Banking the emerging markets. Week 1- retail banking, payments systems, credit assessment & trade finance. Week 2-wholesale treasury, FX and MM and derivative markets. Highly participative training seminar, incl. educational visits to financial institutions in both weeks. £3,750 + VAT. fully inclusive tuition &

Lywood David International Ltd. Book by Fax: +44 1959 565821. CROYDON & LONDON MARCH 22

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Corporate Purchasing Cards arion with The Ch of Purchasing and Supply. First major UK conference examining how purchasing cards can drastically reduce low value purchase costs. Case studies from, amongst others: Rank Xerox, BP Chemicals, Northern

MARCH 22-23

om, Intel, Amoco Corporation USA. act: AIC Conferences 071 827 5965 BRUSSEL

JANUARY 30-31

Windows in Finance - Spain
Conference and exhibition covering the latest
IT developments and important increase banking. Keynote presentations from
Budget Committee, State Duma; Mr
Putilov, President, Rosneft; and the Vice
Presidents of LUKoll, Surguineftegaz and
YUKOS, Mr Shmidt, Mr Nikiforov and
Mr Artemiev.
Contact The Royal Institute of Image Affairs, Tel: (772)

Contact: The Royal Institute of International Affairs, Tel: 071-957 5700 x 298, Fax 071-

LONDON MARCH 27 - 28 Windows ™ in Finance Now in its third year, this Microsoft endorsed event will update you on the very latest developments in Windows based solutions for the financial industry. The event includes a comprehensive free-entry exhibition, plus an executive level

Call Charlotte Stone on 0171-242-1548 for

MARCH 29 & 30 Companies - 6th Annual

An essential briefing on the most important domestic and international corporate tax planning issues including: the new FIDs regime; efficient VAT planning; group financing techniques; taxation of interest; recent UK tax treaties; and tax planning tips after the Finance Act 1994 and the Finance pan 1005.

Contact: Kate Roberts, IBC Legal Studies and Services Limited Tel: 0171 637 4383 Pax: 0171 631 3214

MARCH 30
Banks, The City and Politics
The banks and; the economy, industry; the press; the government. The Chatrest Institute of Bankers' first annual conference is sponsored by AT&T and will be chaired by Sue McGregory Speakers include Eddie. sponsored by AT&T and will be chaired by Sue McGregor. Speakers include Eddi-George, Tom Farmer and Christopher Fildes. Contact: Gillian Wright, CIB Tel: 0227 762600 Fax: 0227 763788

The Offshore Oil and Gas Supply and Construction Market Seminar A: Cases, Contracts, Clauses and Trends EC and EEA Procurement Regimes; CRINE in Context; Cor Administration; How to Prevent Activ

the Texas Courts; Coping with Problematic Contract Cleases; Contracting into the 21st Ceatury, CPD 5.75 hours. Contact: Athina Bradley IBC Tel: +44 (0) 171 637 4383 Fax: +44 (0) 171 631 3214 LONDON The Offshore Oil and Gas. Supply and Construction Market

Seminar B: Insurance and Liabilities. Principle of indemnification; Law of insurance; Successfully Managing Risk; ent; the No approach to risk allocation; Group Workshop, CPD 4.75 hours.

Contact: Athina Bradley IBC Tel: +44 (0)

171 637 4383 Fax: +44 (0) 171 631 3214 LONDON **EXHIBITIONS** MARCH 1 - 3

Asian Companies EXPO This entirely new concept for the financial markets brings together in one location an extensive and diverse array of leading Asian Companies, and provides institutional investors with a unique opportunity to evaluate potential growth and return first hand across all sectors on a one-on-one

EARLS COURT, LONDON INTERNATIONAL JANUARY 25-26 Tel: 0171 251 5053 Fax: 0171 490 0566

Beyond Re-engineering for Global Competitiveness and Growth This conference will explore how organisations can increase global competitiveness and growth by improving or innovating business processes to be more customer-focused; maximising workforce potential and incorporating change management principles. Keynote speaker: European Commissioner Martin Hangemann. Identic resented by The Conference of the Conf Jointly presented by The Conference Board Europe, Euret & Young and Rank Xerox. Contract: Kathleen Stuart-King at The Conference Board Europe in Brussels. Tel: 32.2/675.54.05 Fax: 32.2/675.03.95

conference presentations. Over 230 exhibiting companies. Delegates and visitors from over 51 countrie from Central, Eastern and West

FEBRUARY 2 International Anti-Mone Laundering Forum, Self Defence and Due Diligence **FEBRUARY 3**

Contact: Sandra Motemo AIC Conferences Limited Tel: 4(44) 171 827 5998 Fac: 4(44) 171 242 2320

Comprehensive overview of Internat plimented by practical Conferences Ltd. on 061 445 8623. GENEVA

FEBRUARY 20-25 Essential Tax Planning for Groups of Banking into the 21st Century This high profile conference will discuss the direction International Bankers will take as we move towards the Millenium. Topics include: Cradit cards and local cradit

Systems, Western account Banking Security issues. Contact: Michael Mechan Rusal Corp. (UK) Ltd Tel: 0181 332 6644 Fax: 0181 332 6124 SWITZERLAND

FEBRUARY 27 - MARCH 2

Lafferty's Cards & Payments "An Industry Revolution in the Making Smart Card and Electronic Payments technology, marketing, third-party ng, POS apdates and cross-bor payments. Senior level speakers from 63788 leading financial institutions worldwide.

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> Tel: (+353-1) 671 8022 Fee: (+353-1) 671 359 FRANKFURT

MARCH 20 - 22 Credit Training Workshops
Thomson BankWatch, Inc. leader in globs bank risk analysis, is running a series of redit training workshops in Frankfi Topics being covered are: Fundam Sovereign Risk Analysis, Techniques of

Bank Credit Analysis, and a Survey of OECD Banks and Systems. For full details please contact Terry Brunne 0171-353 5548

FRANKFURT MARCH 23 **Eurobudget 95 Conference** in 80.9 billion Ecu 1995 EU Budget expenditure, for national, regional, local authoritles/private secto

EU Budget Guide. Société Générale de Dévelop Tel: +322 512 46 36 Fax: +322 512 4653 BRUSSELS MARCH 27-29 Sub-Saharan Oil & Minerals The foremost conference on African oil and mining, Speakers include President Mandels and Cabinet Ministers from over 30 African

countries. Co-hosted by the SA Chr Mines; Gabonese Ministry of Mines & Energy: Nigerian National Petroleum Corporation; Sonangol; SA Ministry of Mineral & Energy Affairs and Europe Energy Environ Contact: 3 Hayne St. London EC1A 9HR Tel: 44-71-600-6660 Fax: 44-71-4044

MARCH 29 & 30 Central & Eastern Europea Power Industry Forum The latest and future deve electricity generating industry in Control and Eastern Europe. A Forum on ownership issues, creative project financir

High level.

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MAY 16-18 POWER-GEN Europe 95 Investment and financing in the Power industry. Trends and Policies, Combestion and Operating Power Plants 150 salocted

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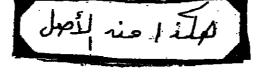
act: PennWell Tel: 31-30-650.963 Pax: 31-30-650.915 **AMSTERDAM** OCTOBER 10-12 World Aid/Euro Aid 95 Conference & Networking

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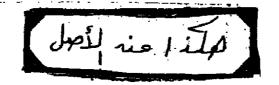
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Second 1980	Section 1.00 1.00 1.00 6.35 6.1 6.7 1.00
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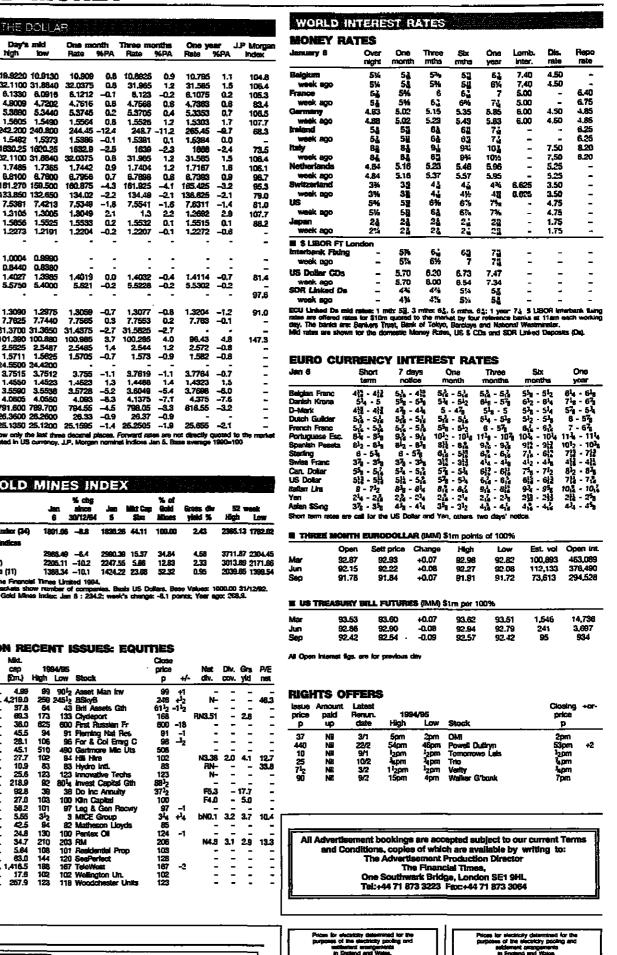
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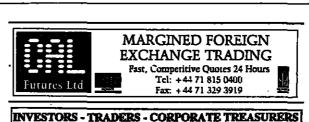
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•	Norway (NKr) 47.18 9.004 7.907 2.291 0.956 2397 2.588 Portugud (Es) 20.00 3.818 3.353 0.971 0.408 1016 1.089 Spein (Pta) 23.97 4.576 4.018 1.184 0.488 1218 1.305	10 235.8 4,241 100. 5.082 119.8	196.8 11.07 1.923 83.45 4.695 0.816 100. 5.626 0.977	0.947 2.063 1.472 149.1 1.205 0.402 0.875 0.624 63.21 0.511 0.481 1.048 0.748 75.75 0.613	Figures in brackets :	show rember of companies. Basis U fines Index. Jan 8: 234.2; week's ch
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TRINTTY INSURANCE COMPANY TRINITY INSURANCE COMPANY
LIMITED
Increased Payment To Creditors
A Scheme of Arringement was approved by the
creditors of Thirity Insurance Company Limited
("Trinity") and subsequently because effective on
18 March 1993, after receiving High Court
sources.

Parsuant to the terms of the Scheme, the Scheme
Administrator, Richard Boys-Stonce and Colin
Bird of Price Waterbause set the "Birdla Payment
Porcentage" at 10% with the agreement of the
Crofiner Committee. The Commencement Date
in accordance with the Scheme was 6 January
1994.

THE COMPANIES ACT 1988

NOTICE IS HEREBY GIVEN that the Order of
The High Court of Justice (Chancerty Division)
dated 20th December 1994 continuing the
reduction of the abure premaum account of the
above named Company by the stant of £5, L77,000
was registered by the Registers of Companies on
21st December 1994.

Creations Commission, and commission of account of account of the financial position of Trinity, and wish the agreement of the Creditors. Commission, the Scheme Administrator has set a revised apparent percentage at 15% with effect from 9 January 1995.

Scheme creditors who have already received a 10% perment in respect of their Established Liabilities will receive an additional payment, equivalent to the increase of 5% together with a compensatory payment. Scheme Coditors with claims established after this date will receive the increased payment percentage of 15% in respect of their claim within 60 days of each claim becoming in Established Scheme Liability.

Claims should continue to be agreed with Trinity and if excisions negate more information, please contact:

The Coditions Department

contact:
Trinky Claims Department
Insurance Management Associates Lie
Russell Street
Glooceater GL1 12L
Tel: 0452 526091 Fact 0452 301387

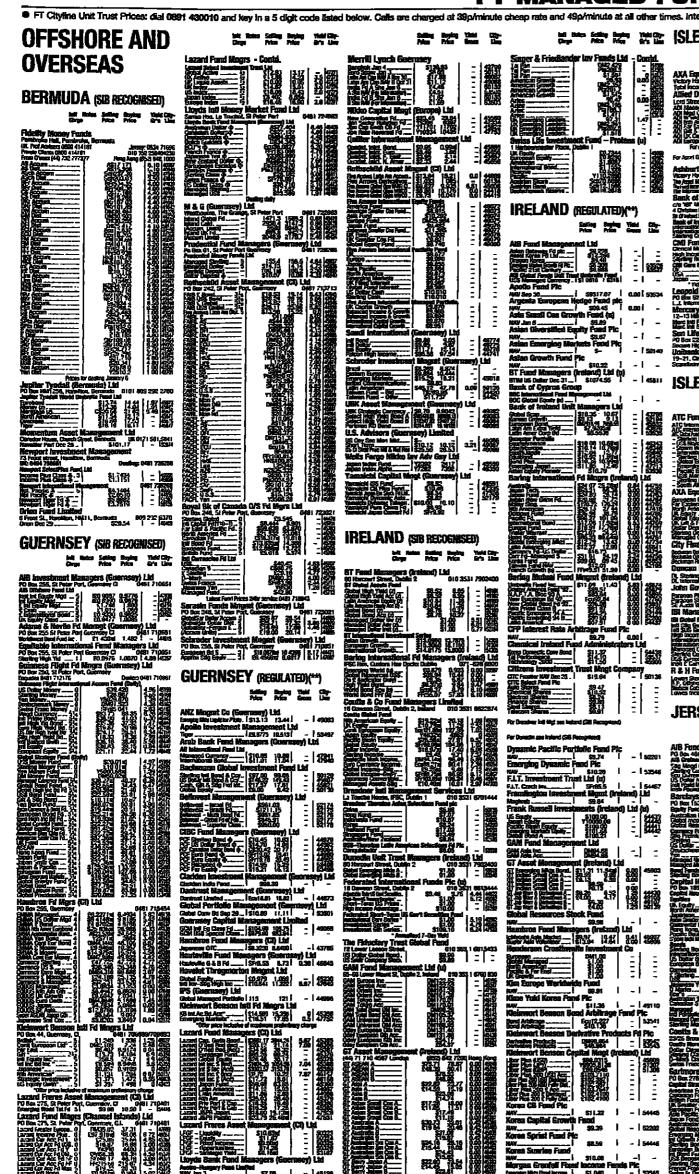
In the High Court of Junifice 987429 of 1994 Chancery Division IN THE MATTER OF PRESTWICK HOLDINGS PLC and IN THE MATTER OF THE COMPANIES ACT 1985

Morrison Skirrors; 63 Queen Victoria Street, London EC4N 4ST (Ref: KMD/SXI/PR276060 Tel: 671 329 3299 tons for the above-named Company

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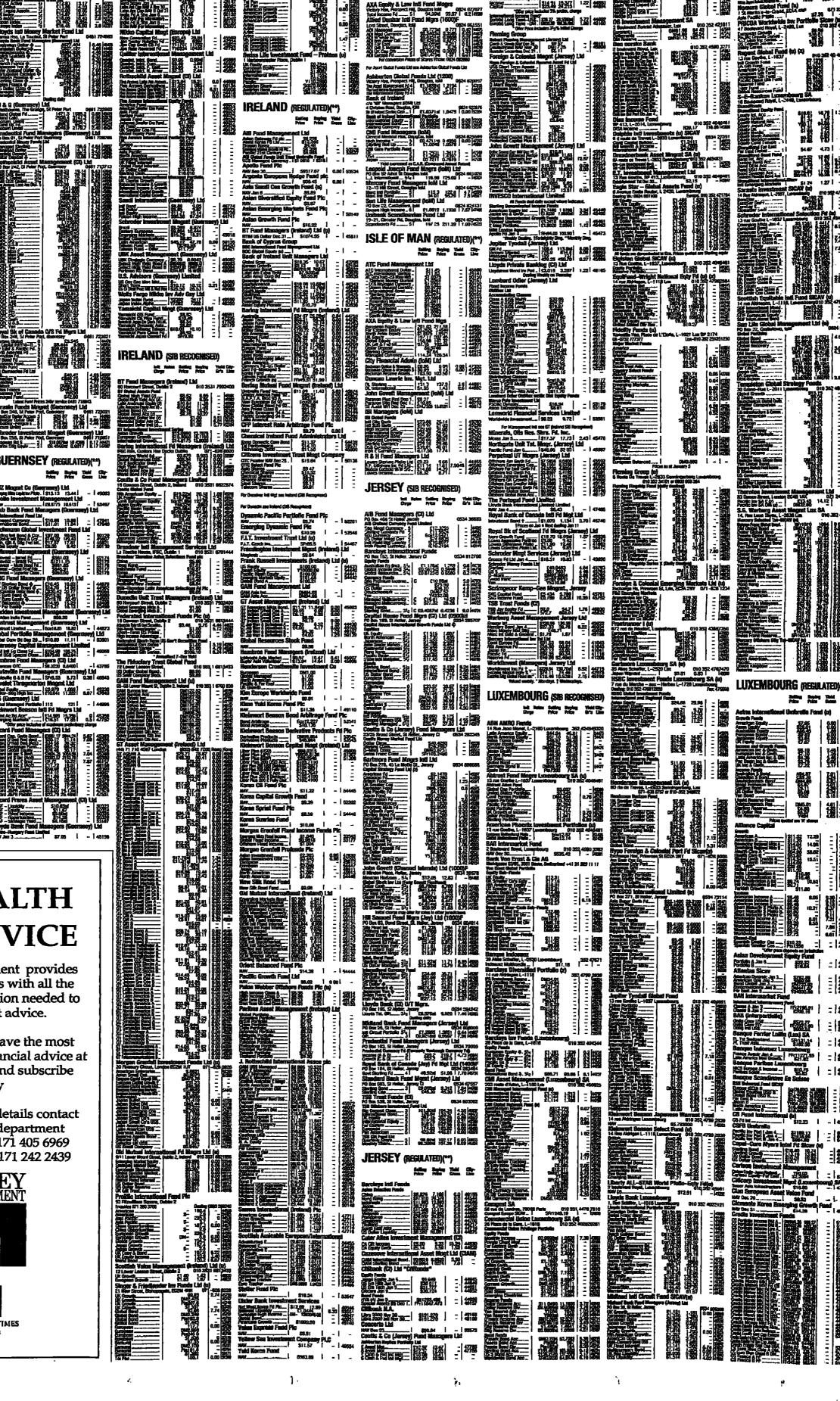
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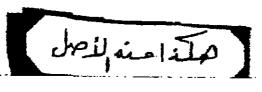
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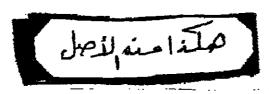
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MONDAY

S Africa's Mbeki visits Bonn



Thabo Mbeki (left), first deputy president, begins a five-day visit to Germany, designed to improve economic ties and pave the way for a possible visit to South Africa by Chancellor Helmut Kohl later this year. Mr Mbeki

will meet President Roman Herzog in Berlin and be feted by barons of German industry at a dinner in Frankfurt.

Nigerian constitution

Nigeria's constitutional conference resumes after a month's break. By December the conference had covered its agenda but made very few changes to the constitution. Approval of the draft proposals to be passed to the military government would complete the task of the conference. However, more controversy is expected over the proposal that the military should hand over to civilian rule by the end of 1995.

365: a space odyssey



Russian cosmonaut Valeri Poliakov is set to surpass his own world record for non-stop space flight today, when he completes 365 days 22 hours and 39 minutes. It is intended that he should remain in orbit until March 26. The aim of the endurance test is to gather information that may one day make possible a manned flight to Mars.

Court hearing in Singapore

The High Court in Singapore begins hearing a contempt of court case against US academic Christopher Lingle and various executives from the international Herald Tribune newspaper.

Talks on E Timor in Geneva

Portuguese and Indonesian foreign ministers due to meet under United Nations auspices for exploratory talks on settling the problem of East Timor, the former Portuguese colony, which Indonesia invaded in 1975 and annexed a

Portugal favours self-determination for its former colony, while indonesia has consistently laid claim to East Timor as its 27th province.

The House of Lords, parliament's upper chamber, ends its Christmas recess.

TUESDAY

Sweden set for harsh budget

Sweden's Social Democratic government presents its first full budget since taking power last September. Markets will watch closely to see that finance minister Göran Persson keeps to his promise to cut public spending by SKr20bn (\$2.65bn), one of the biggest cuts attempted in Sweden's

generous welfare state.

The downgrading of Sweden's sovereign debt rating by Moody's last week underlined the importance of controlling the big budget deficit and fast-growing state debt. But Mr Persson is also under severe pressure from within social democratic ranks not to cut too deeply into state benefits and public sector

Whales on the menu



The International Whaling Commission meets in the Lofoten Islands, Norway's whaling capital, to resolve two outstanding issues for the revised management scheme for whaling agreed

last year in

Mexico. Delegates have to decide this week who will pay for the costs associated with deploying national inspectors and international observers on each vessel

undertaking whaling.
Norway and Japan are the only two
countries which kill whales for "research" and domestic consumption. Agreement is expected on whaling countries paying for inspectors, but they refuse to pay for international observers which they argue should be funded by the IWC.

Nordics ponder their role

Nordic leaders hold their first Nordic Council meeting since Sweden and Finland joined Denmark in the European Union on January 1. The purpose is to set the agenda for the year. The chief task facing the organisation is to map out a future for Nordic co-operation now that only Norway and Iceland of the five members are not in the EU.

UK polítics

The House of Commons reconvenes after the Christmas recess.

Labour into Europe

More than 100 big companies are expected to send representatives to a conference in Brussels run by the British Labour party to explain its approach to the European Union. Tony Blair, the party leader, addresses a conference dinner in the

New York saleroom

One of London's leading dealers in Renaissance art, Cyril Humphris, is selling off his personal collection at Sotheby's New York today and tomorrow. Among the highlights are two bronze plaques by

Ammanati, one of which portrays his friend Michelangelo, broken nose and all (estimated at more than \$1m), and a marble life-size group of Adonis and his hound by Bandini, which could top \$2m.

WEDNESDAY

Clinton and Murayama meet The US and Japanese leaders meet in Washington to discuss bilateral relations, including the US-Japan security accord, under which American troops are stationed in Japan. Mr Murayama is keener than ever for a friendly summit and closer links with the US, to avoid any tension in connection with this year's 50th anniversary of the end of the second world

Also on the agenda are the planned consortium to provide new light-water reactors for North Korea in exchange for that country abandoning its controversial nuclear programme and the November summit of the Asia Pacific Economic Co-operation forum, which Japan chairs

Liberia's council due to meet The five members of Liberia's new council of state are due to take their seats under the peace plan backed by neighbouring Ghana and Nigeria. This collective presidency is to act as the top level of government, above ministers and the parliament, and as a coalition of all the rival factions in the five-year civil war. Observers say that last minute wrangling over the nomination of the five members could still delay the seating of the council.

UK economic policy

The minutes from December 7's monthly monetary meeting between Kenneth Clarke, UK chancellor, and Eddie George, governor of the Bank of England, are released. They will be received with great interest, in the light of the unexpected interest rate rise from 5.75 per cent to 6.25

per cent following the meeting. Analysts will be keen to ascertain how far political pressures influenced the decision to raise rates. The minutes may also provide clues to whether Mr George's sment of the inflationary pressures in the UK economy implies that further interest rises will be needed soon.

UK politics

The House of Commons debates a crucial motion on the membership of committees arising out of the government's withdrawal of the Conservative Party whip from eight Euro-sceptic MPs and the resignation of a ninth. A government defeat would endanger prime minister John Major's ability to carry his legislative programme, but the Conservatives are expected to win with the help of Ulster Unionist MPs.

THURSDAY

OSCE meets in Vienna Western criticism of Russia's behaviour in

Chechnya is likely to surface at a regular meeting of ambassadors to the Organisation for Security and Co-operation in Europe (previously the Conference on Security and Co-operation in Europe).



Former Yugoslavia and Chechnya still have not found their place in the post-cold war order

The ambassadors could decide to send a fact-finding mission to the war zone, although it would be difficult to do so without Russia's consent.

Rulings expected on BCCl



Islands.

The painstaking progress towards a settlement for creditors of the failed Bank of Credit and Commerce International continues this week in the courts in Luxembourg and the Cayman

The High Court in London has already approved the latest plan put forward by the UK-based liquidators, accountants Touche Ross, in which the Abu Dhabi government, the principal shareholder of BCCI, will pay \$1.55bn after the successful completion of the court hearings, \$150m 24 months later and \$100m 36 months after completion.

Before funds can be paid out, however, the scheme must be cleared by courts in all three jurisdictions where BCCI was registered. Today and tomorrow, the Cayman Islands will hear the case and a judgment is expected. Luxembourg is expected to publish its judgment today, having heard the case earlier. A previous plan put forward by the

liquidators was thrown out by the Luxembourg court on appeal. An appeal period follows the publication of the iudgment. eal could delay the An app a year and, if successful, would derail it

for a second time.

Polish court rules on tax

Poland's constitutional court is due to rule on whether higher tax rates that the government is seeking to impose in the face of opposition protests are lawful. President Lech Walesa says they are not and has called on Poles to pay lower rates. The court will also say whether Andrzej Olechowski, the foreign minister, was breaking anti-corruption laws when he held on to the chairmanship of the Bank Handlowy supervisory board after being appointed to public office. If the court rules against him, Mr Olechowski has said he will relinquish his government post.

Charity celebrates 100 years Britain's National Trust, its biggest charity and a



launching a fund-raising drive at the Grosvenor House Hotel, London, where it was founded 100 years ago. The Trust wants to build an endowment that will give it £5m more to spend each year.

leading guardian of

FRIDAY

Actual

Juppé begins Nordic tour begins a whirlwind trip through Scandinavia as part of a briefing exercise France has just begun its six-month stint in the EU presidency. Oddly enough his first stop is Norway, which rejected membership of the EU last November. However, Mr Juppe's trip was planned before the referendums. In Norway, Mr Juppé will meet prime minister Gro Harlem Brundtland and foreign minister Björn Tore Godal to discuss the country's future co-operation with the EU.

passeng in £40m cl pion over co

covering new European Union members.

Nureyev treasure sale



The grand furnishings of the late Rudolf Nureyev's apartment in the Dakota building, overlooking Central Park, are to be sold at Christie's in New York for the benefit of dance charities, which should receive more than \$4m. The star lots are paintings of 18th-century English grandees by Reynolds and Lawrence, but the auction also includes Roman marbles and Fuseli's "Satan starting from the Touch of Ithuriel's Lance" (above).

SATURDAY

Brown begins visit to India Ron Brown, US commerce secretary; begins a week-long business developm mission to India. has begun to warm in the wake of a textile deal and because the Clinton administration appointed an

ambassador. Accompanied by 25 CEOs Brown will visit New Delhi, Bangalore and Bombay to encourage India's economic reform programme and promote US sales of telecommunications, power generation and transportation equipment.

Germany flings wide the door For only the second time in its history the German foreign ministry - the Auswartiges Amt - will open its doors to the public to mark the 125th anniversary of its transformation from the Prussian

foreign ministry to an all-German one. Foreign Minister Klaus Kinkel will greet guests and plans to be the first foreign minister to hold a worldwide conference on the CompuServe computer network.

SUNDAY

Capsules across the sea

A German-Japanese experimental space capsule is due to be launched from the Kagoshima Space Centre in Japan. The capsule is expected to land at Woomera, in South Australia, on January 21. It is the first agreement for a non-military launch in one country and recovery of the capsule in another.

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Shelley Wood. Fax: (+44) (0)171 873 3194.

Other economic news

Monday: The markets are likely to focus on the US this week, with the release of some significant data that may prove pivotal for expectations of the next Federal Open Markets Committee meeting on January 31. November US consumer credit figures today are expec-

ted to show a small rise. Tuesday: Meanwhile, fears that inflationary pressures are mounting in the US may be eased by December's producer price index, expected to show a small fall in the monthly price

Wednesday: The US con-sumer prices index is also expected to show a flat rate of monthly growth. UK production data will be watched for signs of the recent surge in manufacturing output slowing. In Japan, the December trade data could also prove significant, since any indication the trade surplus is growing may provoke concern about the new US Congress's trade policy

towards Japan. Friday: UK trade data should provide further indications of the improving trend in the UK trade performance, while December's US retail sales data is expected to show a small decline in the monthly growth

10 Preliminary notes from a book on skin troubles (5)
11 Crush round Lord Mayor,

however (9)
12 Sat out with a French child,

being supportive (7)
13 One who interrupts male

clerk at work (7) 14 Article about girl looking pale

16 Yet in most revolutions there

is evidence (9)

19 In a classic year Uncle lost a pound on "Right Caller" (9)

20 A weapon might annoy the fellow in the middle (5)

22 The sound of running water, but the fruit has dried up (7) 25 In time support will recede

Statistics to be released this week

Day Released	Country	Statistic	Medium Forecast	Previous Actuel
Mon -	US	Nov consumer credit	\$12bn	\$11.6bn .
Jan 9	Aus lia	Oct retail trade	Sect.	2.4%
Tues	US .	Dec producer prices indx	0.2%	0.5%
Jan 10	US	Ditto, excl food & entergy	0.2%	0.1%
	US	Nov wholesale trade	-	0.3%
	Germany	Dec unemployment, West† ,	-12,000	-11,000
	Germany	Nov employment, West;	5,000	6,000
	Germany	Dec vacancies, West	-	2,000
	Germany	Dec shorttime, West	-	-3,000
	Germany	Dec unemployment; East	12,000	-21,000 ·
	France	Dec consumer prices Indx, prelim*	0.0%	0.0%
	France	Dec consumer prices indx, prelim**	1,6%	1.6%
Wed	US	. Dec consumer prices indx	0.3%	0.3%
Jan 11	US	Ditto, excluding food & energy	0.3%	0.2%
	US	Dec real earnings	-	-1.3%
	Japan	Dec trade belance (1st 20 days)	-	\$5.3Da
	France	Oct current e/c†	FFr5bn	FF17. 7 5n
	UK	Nov manufacturing output	0.3%	0.4%
	UK	Nov manufacturing output**	5.9%	5.5%
	UK	Nov Industrial production*	0.3%	0.1%
Thur	US	Initial claims, Jan 7	325,000	335,000
Jan 12	us	State benefits, Dec 31	-	2.55m
	US	M2, w/e Jan 2	-\$50n	\$12,6bn

Thur	UŞ	Dec Atlanta Federal Indx	_ -	18.9
Jan 12	Japan	Dec Bank of Japan data.	-	•
(сопі)	Germany	1994 gross domestic prod	3%	-1.3%
	Germany	1994 gross domestic prod, West".	.2.5%	-1.9%
	Aus'ila	Dec unemployment rate	9.1%	9,3% .
	Aus'Ra	Dec employment	20,000	30,000
Fri	US	Dec retail sales	0.7% .	1.2%
Jan 13	US	Ditto, exci autos	0.5%	0.9%
	US	Dec bank credit	•	3,2%
	US	Dec C& loans	-	9.5%
	Japan	Dec wholesale price indx".	-	Ċ.Q%
	Japan	Dec wholesale price indx**		-1.3%
	UK.	Oct visible trade (global)	-£600m	-£500m
	Spain	Dec consumer prices indx*	0.3%	0.2%
	Spain .	Dec consumer prices indx*	4.2%	4.4% .
	Nilands	Dec consumer prices indx**	2.8%	2.5%
				
During 1	the week			
	Germany	Nov final M3	-	6%
	Germany	Dec final cost of living* .	+	0.2%
	Germany	Dec final cost of living		2.7%
	Germany ·	Nov retali sales	0.5%	-2% .
	Germenty	Dec wholesale price indx*	0.1%	0.1%

ACROSS
1 Liberal, possibly, with standard typical setting for frenzied toil (5,9) 2 Lambskin for a street artist appearing before Asian prince (9) 3 Rushed round the hospital – it's a prickly point (5) 4 Using the future tense? (9)

\$4bn

\$2.1bn

Dec monthly M2

Shelter the church from a bloodsucker (5)

7 Basket for river fish caught at

the start (5)
8 Early confusion about politi-cian, the main parasite (7)
9 A little snooze? On board, that is included, thank you!

(6) 15 Filthy lucre? Gain can be painful (9)
17 The extra payment is certain to include cleaner gas, ini-

for African tribesman (5)

6 Urban 19 across (9)

but the fruit has dried up (7)
25 In time support will recede
for Liverpool, for example (7)
7 Left the sugar to crystallise –
bow killing! (9)
28 Rum into butter for fourpence
(5)
18 Sick of quartet surrounding the colonel (3-6)
19 "The Bill" – coppers have journalist on charge (7)
21 Mistakes in the Latin translation (6)

(5) tion (6)
29 Poirot's Conservative? 23 Criticise the meat (5)
There's a mystery for you! 24 Expression of rebuke is over

MONDAY PRIZE CROSSWORD No.8,655 Set by ADAMANT

7.996

7.5%

A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday January 19, marked Monday Crossword 8,655 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday January 23.

JOTTER PAD

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